



**Annual Information Form**  
(for the fiscal year ended December 31, 2014)

**February 19, 2015**

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## GLOSSARY OF TERMS

The following are definitions and selected abbreviations used in this Annual Information Form:

"**6.5% Notes**" means \$200.0 million Senior Unsecured Notes issued by Superior LP on December 9, 2004.

"**6.5% Note Indenture**" means the trust indenture between Superior, Superior LP and Computershare dated December 9, 2014, whereby Superior issued the 6.5% Notes.

"**AIF**" means this Annual Information Form, dated February 19, 2015.

"**Annual Report**" means the Corporation's 2014 annual report.

"**Arrangement**" the court sanctioned plan of arrangement under the *Canada Business Corporations Act*, pursuant to which the Fund was converted to a corporation on December 31, 2008.

"**Ballard**" means Ballard Power Systems Inc.

"**Board of Directors**" or "**Board**" means the board of directors of the Corporation.

"**C&I**" means commercial and industrial insulation.

"**CBCA**" means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder.

"**CNRL**" means Canadian Natural Resources Limited.

"**Common Shares**" means the common shares in the capital of the Corporation.

"**Computershare**" means Computershare Trust Company of Canada.

"**Convertible Debentures**" means the 5.75% Debentures, 6.0% Debentures, 7.5% Debentures, 6.0% Debentures (2013), all of which are described in greater detail in Note 19 to the Corporation's audited consolidated financial statements for the year ended December 31, 2014 and on page 43 in this AIF.

"**Corporation**" or "**Superior**" means Superior Plus Corp.

"**Conversion**" means the conversion of the Fund from an income trust structure to a corporation on December 31, 2008, pursuant to the Arrangement.

"**CPD**" means Superior's Construction Products Distribution business.

"**CRA**" means the Canada Revenue Agency.

"**DBRS**" means Dominion Bond Rating Services Limited.

"**Debentureholders**" means the holders of Convertible Debentures of the Corporation.

"**Debenture Trustee**" means Computershare, the trustee under the indentures governing the Convertible Debentures.

**"Declaration of Trust"** means a Declaration of Trust made as of August 2, 1996, as amended and restated most recently on December 31, 2008, pursuant to which the Fund was created.

**"Deloitte"** means Deloitte LLP.

**"DRIP"** means Dividend Reinvestment Program and Optional Share Purchase Plan, which provides Shareholders with the opportunity to re-invest their cash dividends at a 5% discount to the market price of Common Shares.

**"ECF"** means elemental chlorine free in connection with the pulp bleaching process.

**"ERCO"** means ERCO Worldwide, the Corporation's Specialty Chemicals business, operated by Superior LP.

**"ERP"** means the Enterprise Resource Planning systems utilized by the Energy Services and CPD businesses.

**"Financial Statements"** means the audited consolidated financial statements of the Corporation and management's discussion and analysis of the financial condition and operations of the Corporation as at and for the years ended December 31, 2014 and 2013, together with the notes thereto and the auditors' report thereon.

**"Fund"** means Superior Plus Income Fund, a limited purpose, unincorporated trust established under the laws of the Province of Alberta by the Declaration of Trust and terminated pursuant to the Conversion.

**"General Partner"** means Superior General Partner Inc.

**"GHI"** means Griffith Holdings, Inc., a New York corporation.

**"GES"** means Griffith Energy Services Inc., a heating oil and energy distribution business acquired in 2009 by Superior Plus Energy Services, LLC and integrated into USRF.

**"GDP"** means gross domestic product.

**"GSD"** means gypsum specialty distribution.

**"HS&E"** means the Health, Safety and Environment department of USRF.

**"IFRS"** means International Financial Reporting Standards.

**"Indemnity Agreement"** means the indemnity agreement between Superior and New Ballard dated December 31, 2008.

**"Indenture"** means the indenture between Superior and the Debenture Trustee dated August 28, 2009, as amended and supplemented.

**"KCL"** means potassium chloride, a major raw material used in the production of KOH.

**"KOH"** means potassium hydroxide.

"**KW Heating Oil Assets**" means certain assets acquired from KW Oil and Propane and integrated into USRF.

"**LDCs**" means local distribution companies who are required to provide SEM with billing and collection services as well as transportation, storage and distribution services to SEM's customers.

"**MT**" means metric tonnes.

"**New Ballard**" means the corporation created during the Conversion to carry on the business of Ballard which acquired all of the assets and assumed all of the liabilities of Ballard.

"**NYMEX**" means the New York Mercantile Exchange, a commodity futures exchange.

"**OEM**" means Original Equipment Manufacturer.

"**Partnership Agreement**" means the limited partnership agreement made as of September 17, 2006, as amended and restated on December 31, 2008, pursuant to which Superior General Partner Inc., as general partner of Superior LP, has exclusive authority to manage the business and affairs of Superior LP.

"**PCS**" means Potash Corporation of Saskatchewan Inc., a major supplier of KCl to ERCO.

"**Rack**" means the position at which fuel is acquired at a refinery's or distribution terminal's fixed loading structure for a tank truck or rail tank car (with reference to the fuel price and volume obtained at that position).

"**RTP**" means standard real time pricing.

"**S&P**" means Standard & Poor's Rating Services, division of The McGraw-Hill Companies, Inc.

"**SEM**" means Superior Energy Management, the Corporation's fixed-price energy services business and part of its Energy Services business.

"**Senior Debentures**" means \$150.0 million aggregate principal amount of 8.25% senior unsecured debentures issued by Superior LP on October 27, 2009, with a maturity date of October 27, 2016.

"**SGL**" means Superior Gas Liquids, the Corporation's natural gas liquids wholesale marketing business and part of its Energy Services business.

"**Shareholder Rights Plan**" means the shareholder rights plan agreement between Superior and Computershare Trust Company of Canada dated February 16, 2012, as amended and restated.

"**Shareholders**" means the holders of the Common Shares of the Corporation.

"**SPI**" means the construction products distribution business, formerly operating under the trade name of "Specialty Products & Insulation" acquired by the Corporation in 2009 and integrated into the CPD business.

"**SRH**" means Sunoco Retail Heat, a heating oil and energy distribution business acquired in 2009 by Superior Plus Energy Services, LLC and integrated into USRF.

**"Strategic Supply Agreement"** means the agreement between the Specialty Chemicals business and Tronox LLC entered into on October 31, 2013 to purchase and market up to 130,000 metric tonnes of sodium chlorate on an annual basis from the Tronox Hamilton, Mississippi facility.

**"Superior LP"** means Superior Plus LP, an Ontario limited partnership, that conducts the operations of the Corporation.

**"Superior Propane"** means Superior Propane, the Corporation's Canadian propane distribution and related services business.

**"Tax Act"** means the *Income Tax Act* (Canada).

**"Trustee"** means Computershare Trust Company of Canada.

**"TSSA"** means the Technical Standards and Safety Authority of Ontario.

**"TSX"** means the Toronto Stock Exchange.

**"U.S. Note Agreement"** means the agreement between Superior LP (as successor to Superior Plus Inc.) and certain U.S. investors dated October 29, 2003, as amended, whereby Superior issued the U.S. Notes.

**"U.S. Notes"** means US\$160.0 million Senior Secured Notes issued by Superior LP (as successor to Superior Plus Inc.) on October 29, 2003, of which US\$30 million aggregate principal amount are outstanding as of the date hereof.

**"U.S. Refined Fuels" or "USRF"** means the Corporation's heating oil and energy distribution business, including SRH, GES and GHI operating under the trade name "Superior Plus Energy Services" in the United States.

**"Winroc-SPI"** means the CPD business operating under the trade name of "Winroc-SPI".

Unless otherwise stated, all sums of money referred to in this AIF are expressed in Canadian dollars.

## FORWARD-LOOKING INFORMATION AND NON-GAAP MEASURES

### Forward Looking Information

Certain information included herein is forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information may include statements regarding the objectives, business strategies to achieve those objectives, expected financial results (including those in the area of risk management), economic or market conditions, and the outlook of or involving Superior, Superior LP and its businesses. Such information is typically identified by words such as "anticipate", "believe", "continue", "could", "estimate", "expect", "plan", "intend", "forecast", "future", "guidance", "may", "predict", "project", "should", "strategy", "target", "will" or similar expressions suggesting future outcomes.

Forward-looking information in this AIF may include business strategy and objectives, development plans and programs, business conditions, business expansion and improvement projects and expected timing of commercial production and the costs and benefits associated therewith, market conditions in Canada and the U.S., expected tax consequences of the Conversion, the expected challenge by the CRA of the tax consequences of the Conversion (and the expected timing and impact of such process including any payment of taxes and the quantum of such payments), future income taxes and the basis of preparation of future tax returns, the impact of proposed changes to Canadian tax legislation or U.S. tax legislation, future economic conditions, future exchange rates and exposure to such rates, dividend strategy, payout ratio, expected weather, expectations in respect of global economic environment, Superior's trading strategies and the risk involved in these strategies, the impact of certain hedges on future reported earnings and cash flows, commodity prices and costs, the impact of contracts for commodities, demand for propane, heating oil and similar products, demand for chemicals including sodium chlorate and chloralkali, anticipated costs and benefits of restructuring activities, effect of operational and technological improvements, future working capital levels, expected governmental regulatory regimes and legislation and their expected impact on regulatory and compliance costs, expectations for the outcome of existing potential legal and contractual claims, timing for renegotiation of collective bargaining agreements, timing for the business transformation process at CPD, Superior's ability to obtain financing on acceptable terms, expected life of facilities and statements regarding net working capital and capital expenditure requirements of Superior or Superior Plus LP.

Forward-looking information is provided for the purpose of providing information about management's expectations and plans about the future and may not be appropriate for other purposes. Forward-looking information herein is based on various assumptions and expectations that Superior believes are reasonable in the circumstances. No assurance can be given that these assumptions and expectations will prove to be correct. Those assumptions and expectations are based on information currently available to Superior, including information obtained from third party industry analysts and other third party sources, and the historic performance of Superior's businesses. Such assumptions include anticipated financial performance, current business and economic trends, the amount of future dividends paid by Superior, business prospects, availability and utilization of tax basis, regulatory developments, currency, exchange and interest rates, trading data, cost estimates, Superior's ability to obtain financing on acceptable terms and the assumptions set forth below; such assumptions are subject to the risks and uncertainties set forth below.

By its very nature, forward-looking information involves numerous assumptions, risks and uncertainties, both general and specific. Should one or more of these risks and uncertainties materialize or should underlying assumptions prove incorrect, as many important factors are beyond Superior's control, Superior's or Superior LP's actual performance and financial results may vary materially from those estimates and intentions contemplated, expressed or implied in the forward-looking information. These risks and uncertainties include incorrect assessments of value when making acquisitions, increases in debt

service charges, the loss of key personnel, fluctuations in foreign currency and exchange rates, inadequate insurance coverage, liability for cash taxes, counterparty risk, compliance with environmental laws and regulations, operational risks involving Superior's facilities, force majeure, labour relations matters, Superior's ability to access external sources of debt and equity capital, and the risks identified in (i) this AIF under the heading "Risk Factors" and (ii) Superior's Financial Statements. The preceding list of assumptions, risks and uncertainties is not exhaustive.

When relying on our forward-looking information to make decisions with respect to Superior, investors and others should carefully consider the preceding factors, other uncertainties and potential events. Any forward-looking information is provided as of the date of this AIF and, except as required by law, neither Superior nor Superior LP undertakes to update or revise such information to reflect new information, subsequent or otherwise. For the reasons set forth above, investors should not place undue reliance on forward-looking information.

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

#### **Corporate**

- economic growth in Canada will be similar to 2014 while economic growth in the U.S. will increase modestly in 2015;
- Superior is expected to continue to attract capital and obtain financing on acceptable terms;
- Superior's estimated total debt to EBITDA ratio is based on maintenance and growth related expenditures of \$74.0 million in 2015 and working capital funding requirements which do not contemplate any significant commodity price changes;
- the foreign currency exchange rate between the Canadian dollar and United States dollar is expected to average 0.80 in 2015 on all unhedged foreign currency transactions;
- financial and physical counterparties are expected to continue fulfilling their obligations to Superior;
- regulatory authorities are not expected to impose any new regulations impacting Superior;
- Superior's average interest rate on floating-rate debt is expected to remain consistent with 2014; and
- Canadian and United States based cash taxes are expected to be minimal for 2015 based on existing statutory income tax rates and the ability to use available tax basis.

#### **Energy Services**

- average temperatures across Canada and the north-eastern United States, as measured by degree days, will be consistent with the five-year average;
- total propane and U.S. refined fuels-related sales volumes will decrease modestly in 2015 due primarily to lower oilfield customer demand related to the decline in the price of oil and lower residential volumes as weather is expected to be consistent with the five-year average, partially offset by customer growth initiatives and retention programs;
- wholesale propane and U.S. refined fuels-related prices will not significantly affect demand for propane and refined fuels and related services;
- supply portfolio management gross profit for 2015 will be consistent with 2014;
- fixed-price energy services results for 2015 will increase from 2014 due to the assumption weather will be consistent with the five-year average, and the absence of market challenges experienced during the first quarter of 2014; and
- operating costs are expected to decrease in 2015 due to improvements in operational efficiencies from the completion of restructuring activities.



## **Specialty Chemicals**

- sodium chlorate contribution in 2015 is expected to decrease from 2014 due to higher electricity and plant operating costs, and modestly lower sales volumes;
- chloralkali contribution will increase from 2014 due to higher sales volumes associated with the completion of the Port Edwards and Saskatoon HCl burner expansions. Sales volumes of caustic soda, potassium caustic and hydrochloric acid are anticipated to be modestly higher than in 2014 with sales prices consistent to modestly higher than in 2014. Supply and demand fundamentals in the chloralkali markets in which Superior operates are anticipated to remain similar to 2014; and
- average plant utilization will approximate 90% to 95% in 2015.

## **Construction Products Distribution**

- revenues will increase over 2014 due to continued growth in U.S.-based GSD sales as the U.S. residential market continues to improve, higher C&I sales revenue due to improvement in the U.S. industrial construction segment, a stronger U.S. dollar, and the product expansion of drywall into ceiling-only branches. Canada revenue will grow modestly as the Canadian residential market remains challenging;
- sales margins will increase from 2014 due to the continued focus on price management, customer profitability and procurement. Gross profit for 2015 will increase due to higher revenue and higher gross margins; and
- operating costs as a percentage of revenue will be comparable to 2014 due to anticipated savings from restructuring efforts and other cost management activities, offset in part by investments in sales and supply chain capability and system integration costs. Operating costs will increase modestly from 2014 due to higher sales volumes and activity, partially offset by further improvements in operational efficiency related to restructuring in 2013 and 2014.

## **Restructuring Charges**

Superior incurred \$11.3 million in restructuring costs during 2014 associated with the restructuring efforts announced during the fourth quarter of 2013. Total restructuring costs incurred during 2013 and 2014 in order to complete the restructuring projects was \$26.6 million, higher than the range provided in Superior's first-quarter MD&A of \$22 million to \$25 million due to higher than expected facility termination costs

## **Non-GAAP Financial Measures**

In the AIF, Superior has used the following terms that are not defined by GAAP, but are used by management to evaluate performance of Superior and its business. Since Non-GAAP financial measures do not have standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies, securities regulations require that Non-GAAP financial measures are clearly defined, qualified and reconciled to their nearest GAAP measures. Except as otherwise indicated, these Non-GAAP financial measures are calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

The intent of Non-GAAP financial measures is to provide additional useful information to investors and analysts and the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Non-GAAP financial measures differently.

Investors should be cautioned that EBITDA and AOCF (as defined below) should not be construed as alternatives to net earnings, cash flow from operating activities or other measures of financial results determined in accordance with GAAP as an indicator of Superior's performance.

Non-GAAP financial measures are identified and defined as follows:

**Adjusted Operating Cash Flow**

Adjusted Operating Cash Flow ("**AOCF**") is equal to cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital, other expenses, non-cash interest expense, current income taxes and finance costs. Superior may deduct or include additional items in its calculation of AOCF; these items would generally, but not necessarily, be items of a non-recurring nature. AOCF is the main performance measure used by management and investors to evaluate Superior's performance. AOCF represents cash flow generated by Superior that is available for, but not necessarily limited to, changes in working capital requirements, investing activities and financing activities of Superior.

The seasonality of Superior's individual quarterly results must be assessed in the context of annualized AOCF. Adjustments recorded by Superior as part of its calculation of AOCF include, but are not limited to, the impact of the seasonality of Superior's businesses, principally the Energy Services segment, by adjusting for non-cash working capital items, thereby eliminating the impact of the timing between the recognition and collection/payment of Superior's revenues and expenses, which can differ significantly from quarter to quarter. Adjustments are also made to reclassify the cash flow related to natural gas and electricity customer contract-related costs in a manner consistent with the income statement's recognition of these costs. AOCF is reconciled to net cash flow from operating activities in the Management's Discussion and Analysis ("**MD&A**") in the Financial Statements. (See page 10 of the MD&A).

**EBITDA**

EBITDA represents earnings before taxes, depreciation, amortization, finance expense and certain other non-cash expenses, and is used by Superior to assess its consolidated results and those of its operating segments. The EBITDA of Superior's operating segments may be referred to as EBITDA from operations. Net earnings before income taxes are reconciled to EBITDA from operations on page 46 of the MD&A.

**Compliance EBITDA**

Compliance EBITDA represents earnings before interest, taxes, depreciation, amortization and certain other non-cash expenses calculated on a 12 month trailing basis giving pro forma effect to acquisitions and divestitures, and is used by Superior to calculate compliance with its debt covenants and other credit information. See Note 23 of the Financial Statements for a reconciliation of net earnings to compliance EBITDA.

## **CORPORATE STRUCTURE**

### **Superior Plus Corp.**

Superior is the successor to the Fund. The Fund was a limited purpose, unincorporated trust established under the laws of the Province of Alberta by the Declaration of Trust. On December 31, 2008, the Fund was converted to a corporation pursuant to the Arrangement involving, among others, the Fund and Ballard and was renamed "Superior Plus Corp."

Superior, directly or indirectly, holds 100% of Superior LP, a limited partnership formed between Superior General Partner Inc., as general partner and Superior, as the limited partner. Specifically, Superior owns all of the Class A limited partnership units of Superior LP and all of the common shares of the General Partner. Superior's investment in Superior LP was financed through the issuance of equity securities and Convertible Debentures. See "Capital Structure – Share Capital – Convertible Debentures". Superior pays dividends to its Shareholders, from the income received on its investment in Superior LP, after payment of Superior's expenses and interest payments to the Debentureholders.

The head and registered office of Superior is located at Suite 1400, 840 – 7th Avenue S.W., Calgary, Alberta T2P 3G2. In February 2015, Superior announced its intention to move its head office to Toronto, Ontario in the fall of 2015.

### **Superior Plus LP**

Superior LP is a limited partnership formed on September 17, 2006. The initial general partner of Superior LP was Superior General Partner Limited. The initial limited partner was Superior Plus Inc. In September 2006, pursuant to a corporate reorganization, Superior Plus Inc. became the general partner of Superior LP and the Fund became the limited partner of Superior LP. On December 31, 2008, pursuant to the Arrangement, the Fund was converted to a corporation, Superior. On January 1, 2009, Superior Plus Inc. was amalgamated into Superior Plus Administration Inc. On January 1, 2009, the name of Superior Plus Administration Inc. was changed to Superior General Partner Inc. As a result, Superior General Partner Inc. is the general partner of Superior LP and Superior is the limited partner of Superior LP.

Superior LP is a diversified limited partnership with three operating divisions comprised of the following businesses:

#### **Energy Services**, which includes:

- Superior Propane, the propane distribution and related services business operating under the trade name "Superior Propane";
- U.S. Refined Fuels, a heating oil and energy distribution business operating under the trade name "Superior Plus Energy Services";
- SEM, a fixed-price energy services business operating under the trade name "Superior Energy Management"; and
- SGL, a natural gas liquids wholesale marketing business operating under the trade name "Superior Gas Liquids".

#### **Specialty Chemicals**, which includes:

- ERCO, the specialty chemicals business, operating under the trade name "ERCO Worldwide".

**Construction Products Distribution**, which includes:

- Winroc-SPI, the gypsum specialty distribution business and commercial and industrial insulation distribution business operating under the trade name "Winroc-SPI".

The head and registered office of Superior LP is located at Suite 1400, 840 - 7th Avenue S.W., Calgary, Alberta T2P 3G2.

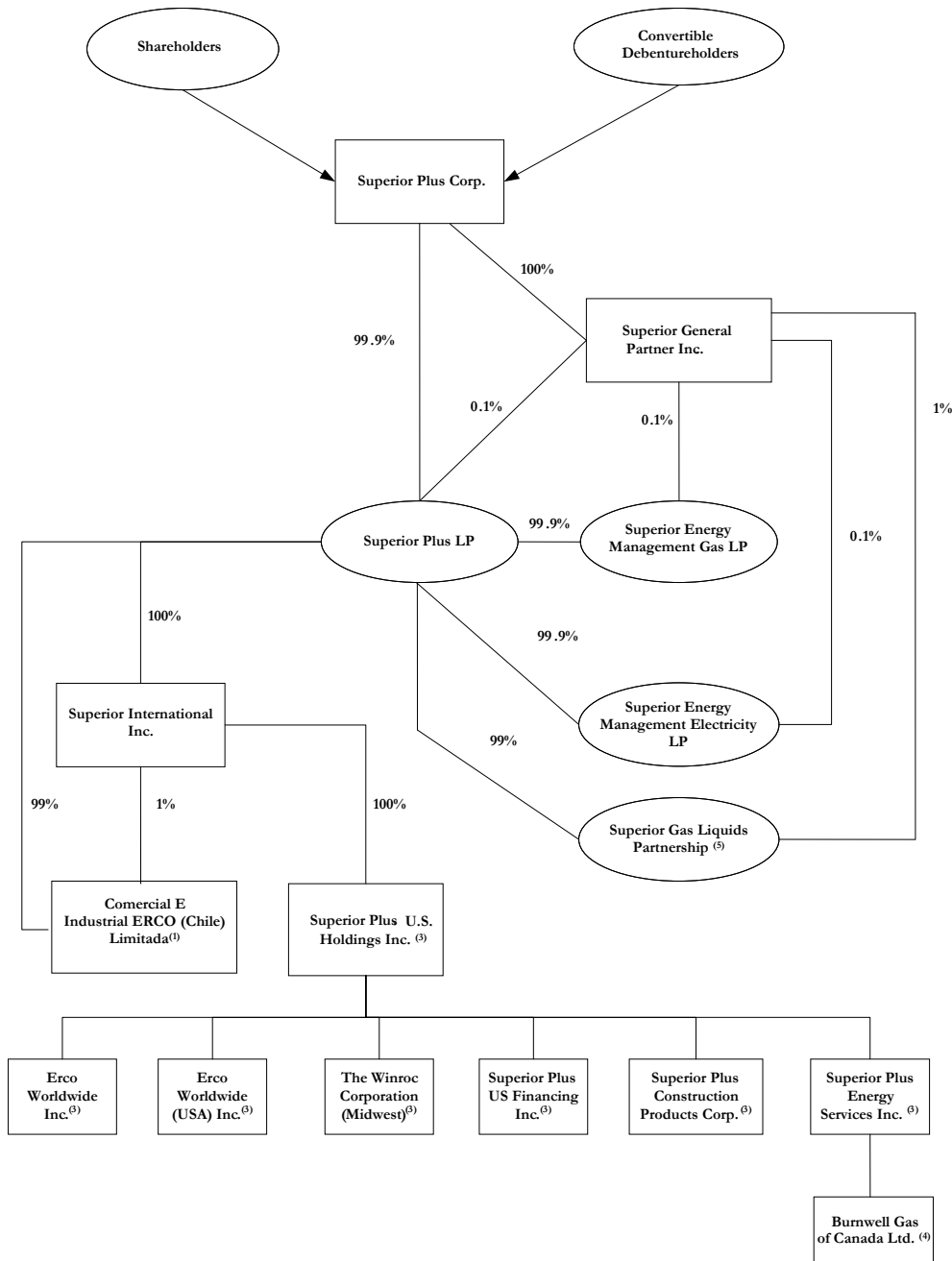
**The General Partner**

Superior General Partner Inc., the general partner of Superior LP, was formed on January 1, 2009 pursuant to the amalgamation of Superior Plus Inc. and Superior Plus Administration Inc. under the CBCA. The General Partner is a wholly-owned subsidiary of Superior Plus Corp. The head and registered office of the General Partner is located at Suite 1400, 840 – 7th Avenue S.W., Calgary, Alberta T2P 3G2.

In connection with the Conversion, the Partnership Agreement was amended and restated on December 31, 2008, pursuant to which the General Partner would be responsible for the administration and management of Superior LP and generally carry out the objects, purposes and business of Superior LP.

Under the Partnership Agreement, the General Partner, has exclusive authority to manage the business and affairs and generally make all decisions regarding the business of Superior LP. The General Partner is, among other things, authorized to cause Superior LP to issue at any time, securities (including debt securities) without the consent or approval of the limited partners on terms and conditions as determined by the General Partner and which the General Partner determines in good faith, to be in the best interests of Superior LP. The General Partner is to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Superior LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The following is a diagram of the structure of Superior and its principal subsidiaries as of February 19, 2015.



**Notes:**

- (1) A corporation incorporated pursuant to the laws of Chile.
- (2) Except where otherwise noted, all corporations were incorporated pursuant to the laws of Canada and all limited partnerships have been formed pursuant to the laws of Ontario.
- (3) Superior Plus US Holdings Inc. ("**Superior U.S. Holdings**"), ERCO Worldwide Inc., ERCO Worldwide (USA) Inc. and Superior Plus US Financing Inc. are incorporated pursuant to the laws of Delaware. The Winroc Corporation (Midwest) is incorporated pursuant to the laws of Nevada. Superior Plus Construction Products Corp. is incorporated pursuant to the laws of Pennsylvania. Superior Plus Energy Services Inc. is merged pursuant to the laws of New York.
- (4) A corporation incorporated pursuant to the laws of the Province of Ontario.
- (5) A partnership formed pursuant to the laws of Alberta.

## GENERAL DEVELOPMENT OF SUPERIOR

### Three Year History

Superior's strategy includes developing and executing sound business strategies in each of Superior LP's businesses while further expanding and diversifying such business operations over time. The following is a general description of the development of the Corporation over the past three years.

#### **Shareholder Rights Plan**

On February 16, 2012, the Board of Directors of Superior approved and Superior entered into a Shareholder Rights Plan with Computershare Trust Company of Canada to ensure, to the extent possible, that all Shareholders are treated equally and fairly in connection with any takeover bid for Superior. The Shareholder Rights Plan was amended, restated and ratified by Shareholders at an annual and special meeting of Shareholders held on May 2, 2012. According to the rules of the TSX, Shareholders must confirm the Shareholder Rights Plan every three years. Accordingly, Shareholders will be asked to consider and, if thought advisable, confirm the continuation, amendment and restatement of Superior's Shareholder Rights Plan at its Annual and Special Meeting to be held on May 1, 2015 (the "**2015 AGM**"). See "Capital Structure – Shareholder Rights Plan".

#### **Expansion of Hydrochloric Acid Capacity**

On February 16, 2012, the Board of Directors of Superior approved an \$18 million expansion of the hydrochloric acid production capacity at ERCO's Port Edwards, Wisconsin chloralkali facility. The capacity of this facility was 110,000 wet MT or 36,000 dry MT and increased to 220,000 wet MT with the completion of the expansion during the fourth quarter of 2014. See "Superior LP's Operations – Specialty Chemicals – Hydrochloric Acid Capacity Expansion".

On November 1, 2012, the Board of Directors approved a \$25 million expansion of the hydrochloric acid production capacity at ERCO's Saskatoon, Saskatchewan chloralkali facility. The existing capacity of this facility is currently 70,000 wet MT or 24,500 dry MT. The capacity will increase to 140,000 wet MT upon completion of the expansion, now expected for the first quarter of 2015 with total project costs estimated at \$33 million. See "Superior LP's Operations – Specialty Chemicals – Hydrochloric Acid Capacity Expansion".

#### **Credit Facility and Term Loan Facility**

On March 28, 2012, Superior amended and restated its credit agreement among Superior, Superior LP and eight financial institutions as lenders (the "**Credit Facility**") providing for, among other things, the extension of the maturity date to June 27, 2015 and reduction of the size of the Credit Facility to \$570 million.

On June 11, 2013, Superior extended the maturity date of the Credit Facility to June 27, 2016. The size of the Credit Facility and financial covenants were unchanged.

On February 14, 2014, Superior entered into a term loan facility with the Bank of Nova Scotia for up to \$125 million for a maximum period of six months to fund working capital requirements. On April 25, 2014, this term loan facility was repaid.

On June 20, 2014 and November 26, 2014, Superior extended the maturity date of the Credit Facility, totaling \$570 million to June 27, 2018. The Credit Facility can be expanded up to \$750 million.

For further information pertaining to the Credit Facility, see "Long-Term Debt – Credit Facility".

### **Convertible Debenture Redemptions**

On August 1, 2012, Superior redeemed the remaining balance of \$49.9 million of its 5.75% Debentures due December 31, 2012.

On January 3, 2013, Superior redeemed \$50 million of its 5.85% Debentures due October 31, 2015. On April 9, 2013, the remaining balance of \$25 million was redeemed.

On September 3, 2013, Superior redeemed the entire \$68.9 million of its 7.5% Debentures due December 31, 2014.

### **Common Share Financing**

On March 27, 2013, Superior completed a public offering of 12,960,500 Common Shares (including an over-allotment option) in the capital of Superior at a price of \$11.10 per Common Share for net proceeds of approximately \$137.6 million (the "**Equity Financing**"). The net proceeds of the Equity Financing were used to repay indebtedness under the Credit Facility and, thereafter, portions were drawn to fund the redemption of 5.85% Debentures and to partially fund Superior's previously announced \$43 million expansion of hydrochloric acid production capacity at its Port Edwards, Wisconsin and Saskatoon, Saskatchewan facilities and for working capital and/or general corporate purposes.

### **Dividend Reinvestment Program**

In April 2013, Superior ceased the active operation of its DRIP effective after payment of the March 2013 dividend. The DRIP program will remain in place should Superior want to reactivate the DRIP at a future date. The DRIP had been re-established in May 2010 to provide Shareholders with an opportunity to re-invest their cash dividends at a 5% discount to the market price of Common Shares. The proceeds of the DRIP were being used to repay indebtedness under the Credit Facility and to fund existing and future growth opportunities.

### **Receipt of Reassessments from CRA**

On April 2, 2013, Superior received, from the CRA, Notices of Reassessment for Superior's 2009 and 2010 taxation years reflecting the CRA's intent to challenge the tax consequences of the Conversion. Subsequently on November 7, 2014, Superior received the Notice of Reassessment for the 2011 to 2013 taxation years. The CRA's position is based on the acquisition of control rules and the general anti-avoidance rules in the *Income Tax Act* (Canada).

The table below summarizes Superior's estimated tax liabilities and payment requirements associated with the received and anticipated Notices of Reassessment. Upon receipt of the Notices of Reassessment, 50% of the taxes payable pursuant to such Notice of Reassessment, must be remitted to the CRA within 90 days.

Taxation Year	Taxes Payable <sup>(1)(2)</sup>	50% of the Taxes Payable <sup>(1)(2)</sup>	Month/Year Payable
2009/2010	\$13.0	\$6.5	Paid in April 2013
2011	\$10.0 <sup>(3)</sup>	\$5.0	February 2015
2012	\$10.0 <sup>(3)</sup>	\$5.0	February 2015
2013	\$10.0 <sup>(3)</sup>	\$5.0	February 2015
2014	\$20.0 <sup>(3)</sup>	\$10.0	2015
2015	\$20.0 <sup>(3)</sup>	\$10.0	2016
<b>Total</b>	<b>\$83.0</b>	<b>\$41.5</b>	

**Notes:**

- (1) In millions of dollars.
- (2) Includes estimated interest and penalties.
- (3) Estimated based on Superior's previously filed tax returns, 2014 financial results and the midpoint of Superior's 2015 outlook.

On May 8, 2013 and August 7, 2013, respectively, Superior filed a Notice of Objection and a Notice of Appeal with respect to the Notice of Reassessments received on April 2, 2013. On February 4, 2015, Superior filed a Notice of Objection with respect to the Notice of Reassessments received on November 7, 2014. Superior anticipates that if the case proceeds to the Tax Court of Canada, the case could be heard within two years, with a decision rendered six to twelve months after completion of the court hearings. If a decision of the Tax Court of Canada were to be appealed, the appeal process could reasonably be expected to take an additional two years. If Superior receives a positive decision then any taxes, interest and penalties paid to the CRA will be refunded plus interest. If Superior is unsuccessful, then any remaining taxes payable plus interest and penalties will have to be remitted to the CRA.

Superior remains confident in the appropriateness of its tax filing position and the expected tax consequences of the Conversion and intends to vigorously defend such position and intends to file its future tax returns on a basis consistent with its view of the outcome of the Conversion. See "Risk Factors – General – Tax Reassessments".

### Convertible Debenture Financings

On July 22, 2013 and July 30, 2013, Superior completed a public offering of \$92 million and a private placement of \$5 million to one of its directors for an aggregate principal amount of \$97 million of 6.0% Debentures for net proceeds after commissions of approximately \$93.3 million (the "**July 2013 Debenture Financing**"). The net proceeds from the July 2013 Debenture Financing were used to redeem the entire \$68.9 million of its 7.5% Convertible Debentures due December 31, 2014 and for working capital and/or general corporate purposes. See "Capital Structure – Share Capital – Convertible Debentures".

### Redemption of Senior Debentures

On June 14, 2013, Superior LP made a cash tender offer (the "**Offer**") with respect to any and all of its \$150 million aggregate outstanding principal amount of 8.25% senior unsecured debentures (the "**Senior Debentures**"). In conjunction with the Offer, Superior LP proposed a private placement of senior unsecured notes to fund the Offer. On June 26, 2013, due to the implications of volatility in the debt markets, Superior elected to terminate the Offer and the proposed private placement. On October 28, 2013, Superior LP redeemed all of its \$150 million Senior Debentures in accordance with the terms of the trust indenture governing the Senior Debentures. See "Capital Structure".

### Strategic Supply Agreement

On October 31, 2013, Superior announced that its Specialty Chemicals business had entered into a Strategic Supply Agreement with Tronox LLC ("**Tronox**") to purchase and market up to 130,000 metric



tonnes of sodium chlorate on an annual basis from the Tronox Hamilton, Mississippi facility. See "Superior LP's Operations – Specialty Chemicals – Business Operations".

### **Townsend Acquisition**

On November 27, 2013, Superior completed the acquisition of certain assets constituting a retail propane and commercial fuels distribution business of Townsend Energy Corporation in Le Roy, New York for an aggregate purchase price of \$9.6 million, including deferred consideration and net of adjustments for net working capital. The acquisition provides the U.S. Refined Fuels business with access to additional distribution facilities, propane and fuel oil customers, and expands its geographic reach into the north-eastern United States. The acquisition was financed by drawing on Superior's Credit Facility.

### **CPD Strategic Review**

On February 19, 2014, Superior announced that in light of the ongoing improvements in the United States construction industry, Superior was assessing strategic alternatives for its CPD segment and had engaged the services of a financial advisor.

On October 6, 2014, Superior announced that it had completed the strategic review of its CPD business and had determined not to proceed with a sale of CPD at the current time.

### **SEM Strategic Review and Asset Sale**

On May 1, 2014, Superior closed the sale of its U.S. based residential and commercial electricity customer base, exiting both the residential and commercial Northeast U.S. based electricity markets in order to focus on the Canadian market.

During the second quarter of 2014, Superior commenced an assessment of the strategic alternatives for its fixed-price energy services segment and retained a financial advisor. As a result of the review, a formal process was initiated to solicit and assess offers for the potential divestiture of SEM. During the third quarter of 2014, Superior decided not to divest of the remaining fixed-price energy services segment.

### **Dividend**

On October 30, 2014, Superior announced that it increased its monthly dividend by 20% to \$0.06 per Common Share or \$0.72 per Common Share on an annualized basis from the prior monthly level of \$0.05 per Common Share or \$0.60 per Common Share on an annualized basis, effective with Superior's November 2014 dividend.

### **Senior Unsecured Note Financing**

On December 9, 2014, Superior LP completed a private placement offering of \$200 million principal amount of 6.5% Notes due December 9, 2021 (the "**Senior Unsecured Note Financing**"). The net proceeds of the Senior Unsecured Note Financing were used to repay indebtedness under the Credit Facility and for general corporate purposes. See "Long-Term Debt – 6.5% Notes".

## SUPERIOR LP'S OPERATIONS

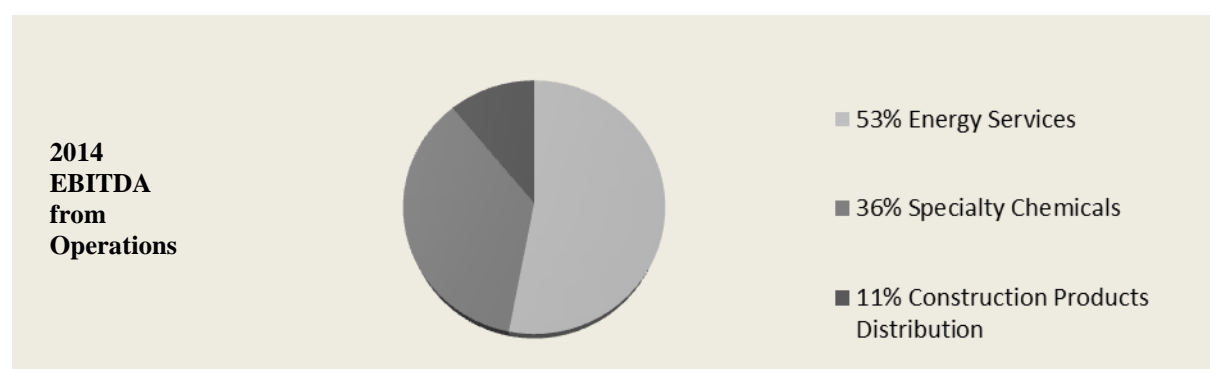
Superior LP strives to generate stable cash flows and achieve long-term value-based growth driven from its core businesses.

Superior LP, through its three operating segments, is engaged in the distribution and retail marketing of propane, related products and services, distribution of liquid fuels such as heating oil and propane gas, provision of natural gas liquids wholesale marketing services and marketing of fixed-price energy services; the production and sale of specialty chemicals and related technology; and the distribution of construction products to retail, commercial and industrial markets.

Superior and its businesses have approximately 4,500 (3,300 full-time) employees. Superior'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 20 employees including executive management, treasury, legal, tax, financial reporting, business development, business compliance and oversight, investor relations and corporate secretarial functions.

There is an experienced and strong management team in place at each business. Management at this level is compensated to maintain and grow cash flows generated by their business over time and to achieve operational excellence.

The graph below details the composition of Superior's EBITDA from operations before restructuring costs by operating segment for the 12-month period ended December 31, 2014. See "Forward-Looking Statements and Non-IFRS Measures".



### U.S. and Foreign Operations

Superior, through its Energy Services (in particular USRF), Specialty Chemicals and CPD businesses, has a material portion of its business operations in the United States and in other foreign countries. Geographically, for the year ended December 31, 2014, consolidated revenues from customers were derived: 60% from the United States, 38% from Canada and 2% from other countries. For the fiscal year ended December 31, 2013, 60%, 38%, and 2% of Superior's revenues were generated from operations in the United States, Canada and other foreign countries, respectively. In addition, as at December 31, 2014, 65%, 32%, and 3% of Superior's assets were located in Canada, the United States and other foreign countries, respectively.

The following graphs depict the geographical distribution of Superior's 2014 consolidated revenues and assets.



On a segmented basis, Energy Services' 2014 revenues were generated 43% from operations in Canada and 57% from operations in the United States. Specialty Chemicals' 2014 revenues were generated 22% from operations in Canada, 60% from operations in the United States and 18% from operations in other foreign countries. CPD's 2014 revenues were generated 32% from operations in Canada and 66% from operations in the United States and 2% from operations in other foreign countries. See "Superior LP's Operations - Energy Services", "Superior LP's Operations - Specialty Chemicals" and "Superior LP's Operations - Construction Products Distribution."

## **Energy Services**

Superior LP's Energy Services segment is engaged in the distribution and retail marketing of propane, related products and services, distribution of liquid fuels such as heating oil and propane gas, provision of natural gas liquids, wholesale marketing services and marketing of fixed-price energy services.

### **Operational Overview**

#### ***Propane Distribution and Related Services***

The propane distribution and related services business operates under the trade name of "Superior Propane". Superior Propane began operations in 1951 and is engaged primarily in the distribution and retail sales of propane, refined fuels, propane-consuming equipment and related services in Canada. The services provided include the rental of tanks, cylinders and other equipment as well as the supply, installation and repair of equipment, and warranty and preventative maintenance programs for installed equipment.

#### ***U.S. Refined Fuels***

With a series of acquisitions, the majority of which were completed in 2009, the Energy Services business expanded its product capabilities into the propane, heating oil and refined fuels distribution business and its geographic reach into the north-eastern United States.

USRF distributes liquid fuels and propane gas to customers located in the Pennsylvania, Delaware, Maryland, New Jersey, Connecticut, Rhode Island, Massachusetts, Vermont, New York and West Virginia. Its products are used by a wide range of customers in a variety of applications, including home heating, water heating and motor vehicle fuel. In addition, USRF provides services, which include equipment installation, maintenance and repair.

#### ***Supply Portfolio Management Services***

The Energy Services business also provides value-added supply portfolio management services under the trade name "Superior Gas Liquids", primarily to Superior Propane and small and medium sized propane retailers in the United States and Canada. SGL provides transportation, storage, risk management, supply and logistics services to its customers.

#### ***Fixed-Price Energy Services***

The fixed-price energy services business commenced operations in June of 2002 under the trade name "Superior Energy Management". SEM provides customized natural gas and electricity services to residential, commercial and industrial customers. With the sale of its U.S. based residential and commercial electricity customer base in May of 2014, SEM operates in the Ontario, Quebec, Alberta and British Columbia natural gas markets and the Ontario and Alberta electricity markets.

#### ***Acquisitions and Expansions***

The U.S. Refined Fuels and Canadian propane distribution businesses are highly fragmented throughout the north-eastern United States and Canada. Superior may pursue smaller consolidation opportunities in the Energy Services market to enhance its propane and service offerings, expand refined fuels at some of Superior Propane's locations and offer its fixed-price services to its Canadian propane and U.S. Refined Fuels customers.

### ***Headquarters and Main Office Locations***

The Energy Services division is headquartered in Mississauga, Ontario, where Superior Propane and SEM conduct their operations. SGL maintains its headquarters in Calgary, Alberta, while USRF is headquartered in Rochester, New York.

### ***Products and Services***

For 2014, products and services of the Energy Services division can generally be grouped into the following categories:

<b>Product and Service category</b>	<b>% of Gross Profit</b>	
	<b>2014</b>	<b>2013</b>
Propane and delivery	52%	54%
Heating oil	30%	28%
Other services	7%	9%
Wholesale liquids marketing	10%	5%
Fixed-price energy	1%	4%

### ***Superior Propane, USRF and SGL***

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

Propane and heating oil are efficient energy sources. Heating oil is a low viscosity, flammable liquid petroleum product, mainly used as a fuel for furnaces in boilers and buildings. Propane gas can be compressed at low pressures into liquid form. When the pressure is reduced, the liquid propane becomes a gas which is ignited and burned to create energy for many different uses.

### **Competitive Conditions**

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

Superior Propane is Canada's largest national retailer with 1,436 employees and 204 operating locations, serving approximately 154,000 customers from coast to coast. While Canadian market data is very difficult to validate, management estimates current market share in the range of 30% - 35%. The Canadian retail propane industry is highly fragmented with approximately 200 local and regional propane retailers. Propane distribution is a local, relationship based business in which Superior Propane competes for market share based on price and level of service.

The Canadian retail propane industry is mature, representing approximately 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 least expensive 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 a great alternative due to its portability and its similarity as an energy source to natural gas. In addition, the cleanliness, versatility and operating efficiencies of propane make it an attractive energy source.

The wholesale natural gas liquids market is very competitive with companies trying to expand their presence in a market which has had little growth in demand. The increased competition has reduced

volatility in the market, resulting in shrinking margins. Continuous innovation and a wider variety of pricing structures with customers should allow SGL to remain competitive.

The refined fuels market in the United States is also highly fragmented. USRF through its 1,016 employees and 40 Customer Care Centers, serves over 200,000 heating oil and refined fuels customers in the north-eastern United States.

Residential space heating is the primary use for heating oil, making demand highly seasonal. According to the U.S. Energy Information Agency website, between winters of 2007-08 and 2013-14, the number of north-eastern United States households using natural gas heating increased by 800,000 (from 10.71 million to 11.51 million), while the number of households using heating oil fell by 1,270,000 (from 6.52 million to 5.25 million) and the number of households using propane increased by 140,000 (from 0.70 to 0.84 million). Heating oil is a low viscosity, flammable, liquid petroleum product produced at crude oil refineries as a part of the distillate fuel oil product family. Reliance on heating oil is the highest in the northeast, where approximately 25% of households depend on heating oil for space heating, compared with 5.5% nationally. Propane is used to heat about 4% of households, many located in rural areas.

While heating oil no longer maintains an appreciable share of new home construction, converting existing homes from heating oil is slow due to the cost requirements. USRF experiences 7% net decline in its heating oil customers annually. This is partially impacted by the decline in demand for heating oil in the north-eastern United States which is declining at a modest rate of 3.7%. Large fuel distribution platforms typically are very successful in retaining existing customers or gaining new customers that are switching from heating oil due to their brand recognition, service reputation, diverse offering of fuel alternatives, and ability to offer attractive prices.

Five states in the north-eastern United States will have more stringent heating oil specifications this winter. Connecticut, Massachusetts, New Jersey, Rhode Island and Vermont lowered the maximum sulfur specification for heating oil on July 1, 2014 from 2,000 parts per million ("**ppm**") and higher to 500 ppm. No major market impact is expected, as suppliers will either blend higher-sulfur distillate, such as 2,000 ppm heating oil with 15 ppm ultra-low sulfur diesel ("**ULSD**") or deliver ULSD (which is widely available), whichever is more economical.

### ***Business Operations***

Superior Propane operates a "region led" business model facilitating decision making and operational accountability in close proximity to customers while utilizing central dispatch operations, to take advantage of size and scale. During 2014, Superior Propane continued with the 2013 initiatives to enhance its business processes and systems, in an effort to make it easier to do business with Superior Propane. These initiatives included a restructuring project to redefine how Superior Propane does business, together with the implementation of a consistent management operating system across its operations and rightsizing the business. The process of implementing the new business model made for a challenging 2014, but the changes are expected to result in a more efficient and effective business model for years to come.

In Canada, Superior Propane operates in six geographical regions, managed by regional managers. The general managers have direct responsibility for multiple markets including satellite operations, customers, administration and the overall profitability of their geographic business units. Superior Propane's 47 market offices 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 and surplus land to store a working supply of customer tanks and cylinders, truck parking, warehouse space for rental equipment, appliance, materials and supplies inventories, and an office. These market locations are supplemented by 156 satellite locations and storage yards. Product is delivered by a fleet of 724 delivery and service vehicles.

The satellite locations 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 the market office or satellite location, 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 field operational teams that include a Market Manager, fuel delivery truck drivers and service technicians. During 2014, Superior Propane continued to enhance its national, regional and inside sales capabilities in order to focus on customer growth and retention. Local selling opportunities are face-to-face sales and through inbound and outbound sales teams. Each region provides leadership, service coordination and administrative support through six regional offices. The field is supported by a national operating centre located in Guelph, Ontario and a sales and administration centre located in Thunder Bay, Ontario. The national operating center performs all routing, scheduling and delivery coordination for customers with delivery orders. The sales and administration centre assists customers with opening accounts and general inquiries, billing inquiries, processing of payment, credit and collection services. The regions are further supported by services provided by Superior Propane's national office located in Mississauga, Ontario. The national office includes propane supply and transportation, invoicing support, information systems, marketing, human resources, and health and safety.

In the United States, USRF operates in ten states, which are managed by four regional general managers. The regional general managers have direct responsibility for their market areas, including satellite operations, customers, administration and the overall profitability of their geographic business units.

In order to effectively serve its customer base USRF utilizes an industry-leading operating infrastructure. Fuel storage assets and supply points are leveraged through pipeline supplied fuel terminals and 68 retail bulk plants that are strategically located in key markets and provide about 30 million gallons of storage capacity. These storage assets are complemented by throughput agreements and access to third party supply points, which provide flexible distribution capacity and market reach. Product is delivered through a fleet of 889 delivery and service vehicles that are maintained by a combination of in-house mechanics and third party vendors. Local sales representatives and customer service personnel are responsible for new customer acquisition and customer retention in each market area. Each region provides leadership, program and administrative support locally. USRF utilizes an energy specific reporting system, which provides a highly integrated software solution that includes real-time inventory tracking, delivery coordination, billing, and daily view of account activity.

Superior Propane and USRF operate from and store product at 111 owned locations in Canada and 56 locations in the United States. In addition, 92 locations in Canada and 12 locations in the United States are leased from third parties under normal course operating leases. See Note 18 to the Financial Statements.

The Energy Services business has traditionally maintained heating, ventilation and air conditioning installation, maintenance and repair services "**HVAC Service**" capabilities in both Canada and the United States. However, in the fourth quarter of 2013, Superior Propane decided to exit the small customer HVAC Service segment and USRF commenced a restructuring of its HVAC Services. Superior Propane continues to perform maintenance and repairs for certain clients with more complex service needs in the large commercial and industrial customer segment. These services improve the ability of the Energy Services business to retain customers by providing them with a comprehensive energy supply and maintenance solution.

In 2014, Superior Propane completed its implementation of an order to cash, billing and logistics information technology system. The transition to the new information technology system is expected to address current systems limitations, enhance the customer experience and reduce the cost to serve. Prior

to 2013, when the implementation commenced, Superior Propane had experienced invoicing challenges subsequent to the implementation of its ERP system in April, 2010. No significant issues have been identified with the new system since implementation.

During the year, USRF continued to implement process and operational improvements and continued to build a focused sales and marketing structure to leverage its 'Superior Plus Energy Services' name and increase sales.

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

SGL offers value-added supply portfolio management services, primarily to Superior Propane and 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 1.6 billion litres with over 60 counterparties.

SGL's position in the energy value chain is that of an intermediary between upstream natural gas liquids producers and downstream retail customers. SGL's value proposition is to effectively manage the volume, delivery and pricing requirements of the end use customer (variable volumes, predictable pricing) and at the same time, meet the volume, delivery and pricing requirements of upstream producers (ratable volumes, variable pricing). Within this niche, is the opportunity for SGL to optimize storage, supply requirements, pipeline deliveries, railcar and truck transportation sales. Through effective management of pricing relationships between Edmonton, Alberta; Sarnia, Ontario; Conway, Kansas; and Mt. Belvieu, Texas; across various points in time, SGL attempts to maximize profitability while maintaining seamless supply for its customers throughout North America.

In support of this activity, SGL leases approximately 85 million litres of combined underground propane storage capacity in Marysville, Michigan; Conway, Kansas; Regina, Saskatchewan; and Fort Saskatchewan, Alberta; primarily to secure supply for its fixed-price customer offerings and to enhance security of supply and distribution capacity in periods of supply disruption and high demand in the winter season. The storage lease agreements expire between March 31, 2014 and March 31, 2015 and SGL intends to negotiate extensions in the ordinary course of business, only entering into long-term storage contracts if it is economically advantageous to do so. SGL utilizes approximately 20 propane suppliers as well as numerous short-term storage positions to service its wholesale customers in North America. In order to satisfy customer needs and take advantage of opportunities, SGL will enter into short-term forward purchase and sale agreements.

### **Sales and Marketing**

In Canada, Superior Propane primarily sells propane and related products and services to the residential, commercial, agricultural, industrial and automotive customer markets. Approximately 40% of Superior Propane's sales volumes are related to heating related applications and 60% are related to non-heating commercial and industrial applications. Approximately 63% of Superior Propane's annual total portable fuel volume is distributed during the October to March winter heating season.

Superior Propane has one customer, CNRL, that represents approximately 9% of revenues and 14% of delivered volume in 2014. All other Superior Propane customers are below 10% in both total revenues and total delivered volumes in 2014.

USRF sells heating oil, gasoline, diesel fuel, kerosene, propane and related services to a diverse group of commercial, residential and retail customers, including homeowners, agricultural and construction



companies, municipalities and schools. The customer mix consists of approximately 20% retail heating oil and propane, 23% commercial and 57% wholesale/dealer, based on 2014 volumes, although more than 65% of profitability is driven by the residential business.

### ***Propane Applications/Markets***

#### *Residential/Commercial*

In these markets, propane is consumed primarily in areas where natural gas is not readily available. It is used for home and facilities heating, water and pool heating, cooking, refrigeration, laundry, off-grid electrical generation, and residential fireplaces. Consumption in these markets is sensitive to winter weather conditions and energy conservation initiatives. 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, brooding and greenhouse operations, grain drying, 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 seasonal 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 oilfield applications 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. 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. While this sector has declined over the last 10 years, new developments in engine conversion technology combined with the lower price of propane relative to oil have resulted in a renewed interest in automotive propane.

### ***Refined Fuel Applications/Markets***

#### *Residential*

In these markets, heating oil is consumed primarily for space heating in areas where natural gas is not available. Consumption is sensitive to winter weather conditions and dependent on product costs.

#### *Commercial Accounts*

Commercial customers use heating fuel and motor fuels, including diesel and various grades of gasoline for fleets, farming and other commercial enterprises. This market is less sensitive to weather and presents opportunities for additional growth in non-weather related business. The fuels are consumed for agriculture, construction, commercial heating and manufacturing. Consumption is somewhat weather dependent; but is more sensitive to overall economic conditions.

### Bulk Delivery

In this market, gasoline and diesel fuels are sold to large commercial and industrial customers, resellers, state, schools and other large organizations that have bulk fuel requirements. This business is highly competitive and carries high volumes and lower margins over the other lines of service. In the service station market, gasoline and diesel is sold through branded and unbranded fuel stations. This demand is driven by a combination of general economic conditions and pricing, as both can drive conservation. Service stations also have retail confectionaries in addition to gasoline, which contribute to results.

Within the Energy Services business, sales and marketing is comprised of three main segments: residential and small commercial; large commercial, national and industrial customers; and oilfield customers. Marketing efforts focus on enhancing the Superior Propane brand and retaining and acquiring customers in residential and small commercial segment. In 2014, Superior Propane continued to strengthen its national and regional sales force by concentrating on commercial, national and industrial segments. In 2014, sales resources were also focused on the residential and small commercial line of business by offering both tank sensors and fixed price agreements to enhance the customer experience.

### **Pricing**

Superior Propane customer pricing is primarily based on a margin above product and transportation costs. 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, convenience, portability, storage requirements, available space, capital cost, equipment efficiency and the supplier's local presence and service reputation in the community.

Refined fuel 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 refined fuels 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 customers. Conversely, when wholesale prices decrease, retail gross margins and profitability tend to increase.

### **Supply and Storage**

#### Superior Propane

An estimated 10 billion litres of propane are produced in Canada annually, of which, approximately five billion litres are consumed domestically in the energy and petro-chemical feedstock markets and the balance is exported to the United States. The approximate five billion litres remaining in Canada, are split between retail and non-retail consumption. Approximately 85% of the propane produced in Canada is extracted from natural gas during gas processing operations at field plants or at large straddle plants located on the major natural gas trunk line systems. Extraction from crude oil occurring during the refining process accounts for the remaining 15% of propane produced. Superior's retail propane supply is currently purchased from approximately 20 propane producers and suppliers across Canada. Propane is purchased mainly under annual contracts, negotiated and administered by SGL, 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 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 renews its supply contracts annually. Superior Propane's supply contract year ends March 31, 2015. New supply contracts are negotiated in the normal course of business. Approximately 61% of Superior Propane's annual propane requirement is supplied by the following major suppliers, each of which supplies approximately 5% or more of Superior Propane's annual propane requirement:

- Plains Midstream Canada, a subsidiary of Plains All American Pipeline LP
- Spectra Energy Empress LP
- Shell Canada Limited
- Canadian Natural Resources Limited

Approximately 16 other producer/suppliers supply the remaining 39% of Superior Propane's annual propane requirement.

#### U.S. Refined Fuels

Refined fuel products are purchased in bulk and shipped to both New York and Pennsylvania. Rack volumes are also purchased in upstate New York, Pennsylvania, Connecticut and Rhode Island. Pipeline transit time is 7-10 days on the Buckeye Pipeline from Linden, New Jersey and on the Atlantic and Laurel Pipelines from Philadelphia. Term supply is contracted from Phillips 66, Philadelphia Energy Solutions (previously Sunoco R&M Inc. ("**Sunoco**")), PBF Energy and Buckeye Energy Services. This makes up approximately 85% of purchased volume. These volumes are bought on a market related index basis. Pipeline volumes are priced as USRF takes title to the product and hedges the product against price volatility using NYMEX future contracts. These hedging activities carry some risk as 2000 ppm heating oil is hedged with ultra-low sulphur diesel futures and this creates quality differential exposure. Spot volumes are purchased to meet the balance of seasonal demand.

Pipeline gasoline, diesel fuel, heating oil, and kerosene continue to be sourced from Philadelphia Energy Solutions and now from PBF Energy onto the Atlantic Pipeline system that supplies Upstate Pennsylvania and New York. Gasoline and diesel fuel source at Linden, New Jersey from Phillips 66 and Buckeye Energy Services for the Buckeye Pipeline system that supplies Upstate New York and part of Upstate Pennsylvania.

Branded gasoline is contracted for in New York with Mobil, Citgo, Sunoco, and Valero.

Spot gasoline and distillates are purchased daily from rack sellers from Upstate New York to New England. Winter contracts for heating oil basis in Connecticut and Rhode Island assure supply at a fixed level.

Propane supply is purchased on an annual basis from two primary sources. Sarnia, Ontario that is trucked/transported through company owned storage near Buffalo, New York and from four suppliers on the TEPPCO pipeline system. Two of the TEPPCO supply agreements include volume stored and supplied through the storage caverns at Bath and Harford Mills, New York. In addition there are several rail/refinery sources that provide additional supply on the periphery of the distribution area.

## **Transportation**

### **Primary Distribution**

Primary transportation at Superior Propane is the delivery of propane from product supply points to 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. Cargo liner requirements are provided by third party carriers.

Approximately 14% of Superior Propane's supply is transported by rail and is managed by SGL on behalf of Superior Propane. SGL leases approximately 72 railcars to provide an estimated 20% of its rail transportation requirements. In March 2014, SGL entered into an agreement to lease an additional 50 railcars beginning in September 2015. Railcar lease agreements have a two to seven year term. The remainder is transported in railcars provided by propane suppliers in conjunction with their annual propane supply contract obligations to Superior Propane.

SGL primarily transports propane volumes by truck, rail and pipeline to wholesale customers in both Canada and the United States.

For USRF, the primary transportation is the delivery of refined fuels from regional refineries via pipeline and barge to terminal locations located along the Buckeye and Atlantic pipelines. Refined fuels are then transported to satellite locations and large volume customers via internal and contracted large volume tractor trailers. Propane is transported from refinery and pipeline terminals via internal and contract large volume tractor trailers to regional bulk storage facilities. The capacities of the tractor trailers vary from 8,000 to 13,000 gallons per trailer, depending on local regulations.

### **Secondary Distribution**

For Superior Propane, secondary distribution is the delivery of propane, refined fuels and lubricants from market and satellite locations, and storage yards to customers. Superior Propane operates a fleet of owned and leased trucks to transport the propane, refined fuels and lubricants it sells. Propane is delivered in bulk and in pressurized cylinders. Heating oil, 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 300 pressurized bulk delivery trucks that vary in load capacity from 13,000 litres to 32,000 litres, six refined fuel and lubricant bulk delivery trucks with load capacities of 10,000 to 25,000 litres and 72 cylinder trucks with boxes that vary in length from 12 feet to 26 feet. It also operates 29 tractors and 42 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 222 service vehicles. At December 31, 2014, 50% of the vehicles described above were owned by the General Partner while the remaining 50% were leased under financing leases.

For USRF, the secondary distribution of propane, heating oil, refined fuels and lubricants to customers is from satellite locations, company owned pipeline terminals and third party terminals. USRF operates a fleet of owned and leased trucks to transport the propane, heating oil, refined fuels and lubricants it sells. Propane is delivered in bulk and in pressurized cylinders. Heating oil, refined fuels and lubricants are also transported and sold in bulk volumes. USRF employs full-time, part-time and seasonal drivers who assist with deliveries during the peak winter demand periods. It operates 130 pressurized propane delivery trucks that vary in load capacity from 2,400 gallons to 3,500 gallons, 275 refined fuels delivery trucks that vary in load capacity from 2,800 to 5,000 gallons, 50 tractors used to pull trailers and 57 refined fuel trailers with load capacities of 9,000 to 12,500 gallons. Additionally, it operates 216 service vehicles and

155 utility vehicles. At December 31, 2014, approximately 65% of the vehicles described above were owned by USRF while the remaining 35% were leased under financing leases.

### **Environmental, Safety and Regulatory**

In Canada, Superior Propane has in place a health and safety and environment management system to ensure safety practices and regulatory compliance safeguard the lives, health and property of Superior Propane's employees, contractors and customers as well as the communities in which it operates. Superior Propane seeks to further enhance workplace and community health and safety by applying ongoing management, rigorous monitoring and frequent audits to provide continuous learning and improvement. The storage and transfer of propane generally has limited impact on the environment as there generally is limited impact to soil or ground water if propane is released to the environment, because it disperses into the atmosphere. Propane's natural state is a gas with a boiling point of -42°C and one litre of liquid propane is equivalent to 270 litres of propane gas. Because of this, propane is compressed for storage and transportation. In the event of a liquid propane leak, a large quantity of propane gas is produced in very little time and is extremely flammable when exposed to an ignition source. If propane is ignited, it can result in an explosion or fire, and can cause death or injury to people and damage to property or the environment. In addition, as propane gas is denser than air, a leak will form a dense cloud, follow the contours of the terrain and settle into lower elevations before dissipating.

USRF has a centralized safety and environment management system, that ensures safety practices and regulatory compliance are an important part of its business and to help safeguard the lives, health and property of employees, contractors and customers of USRF as well as the communities in which it operates. USRF seeks to further enhance workplace and community health and safety by applying ongoing management, rigorous monitoring and frequent audits to provide continuous learning and improvement. The storage, loading and delivery of refined fuels possess the potential for spills of hydrocarbons which could adversely impact the soil and ground water of storage facilities and customer properties.

USRF operates bulk storage areas and loading/unloading points have secondary containment to prevent spills from reaching soil or ground water. Customer locations are inspected by drivers and technicians during visits to identify potential release hazards and necessary corrections are performed before product is delivered. A release that could impact soil or ground water is required to be reported to the appropriate government agencies; clean-up operations are conducted by internal and third party technicians. Some of the commodities sold by USRF, when used, may create greenhouse gases. The regulatory landscape related to greenhouse gases could change as a result of government initiatives. USRF also transports and delivers propane and shares similar risks to the Canadian propane business.

The Energy Services business 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. Emergency response support is also provided by third parties, including industry organizations. They also provide support to the field operations in the design, construction and inspection of large scale customer installations.

## **SEM – Fixed Price Energy Services Business**

### **Competitive Conditions**

As a Canadian energy marketer, SEM operates in the Ontario, Quebec, Alberta and British Columbia natural gas market and the Ontario and Alberta electricity market. The competitive landscape varies by market and includes large multinational branded suppliers, multilevel marketing customer aggregators and full service regional energy providers and the respective utilities. Key competitive factors across the fixed-price energy services business include commodity prices, sales channel activity, product diversification, cost efficiencies, and service. The value of SEM's product offering to customers is determined based on current commodity prices and its long term supply costs. New customer acquisitions and customer retention can vary significantly depending on the fluctuations between those two variables.

SEM has been in the Ontario natural gas market since its inception in 2002 and in 2003 expanded into the Quebec natural gas market. In 2007, SEM entered both the Ontario electricity and the British Columbia natural gas market. SEM moved into Alberta with the marketing of natural gas to customers in 2011, followed by an electricity offering in 2013. In 2014, Superior sold its U.S. based residential and commercial electricity customer base and decided to exit both the residential and commercial north-eastern U.S. based electricity markets in order to focus on the Canadian market and reduce the risk of future losses associated with volatility in electricity prices.

As a result of the challenges in the acquisition and retention of SEM's Ontario residential natural gas and electricity customers based on the regulatory framework and market rules, SEM has refocused its efforts away from direct residential natural gas and electricity marketing in Ontario. Instead, efforts continue to be concentrated on the acquisition and retention of commercial natural gas and electricity customers in each of SEM's respective markets. The change in SEM's strategy has had a positive impact on its current cost structure, while maintaining the scalability and infrastructure of its existing business model which may allow SEM to re-enter Ontario's residential markets when direct residential conditions improve.

SEM operates in deregulated natural gas and electricity markets where customers are able to choose their commodity supplier and can elect between various prices and terms. The market of supplying natural gas and electricity products is competitive, with a number of companies supplying different market sectors, each providing different options relating to price, term and service. Under deregulation, consumers also have the option of having their natural gas and electricity supply provided by their utility company at a variable price that is adjusted on a predetermined basis and may be subject to retroactive adjustments.

### **Business Operations**

SEM provides customized natural gas and electricity services to residential, commercial and industrial customers for contract terms up to five years. In 2014, the average contract term was approximately four years for natural gas and three years for electricity. SEM manages its natural gas and electricity sales commitments by entering into various physical and financial natural gas, electricity and foreign exchange purchase contracts for similar terms and volumes to create an effective cost of supply. The LDCs are required to provide SEM with transportation, storage and distribution services to SEM's customers as well as billing and collection services in certain jurisdictions.

### **Sales and Marketing**

For the year ended December 31, 2014, SEM supplied approximately 18.0 million gigajoules (2013 – 18.8) of natural gas to approximately 4,514 (2013 – 12,187) residential and 3,351 (2013 – 3,810) commercial flowing customers under supply contracts in Ontario, Quebec, Alberta and British Columbia. A detailed analysis of sales volumes and gross profit is provided in the Financial Statements.

In Ontario and Alberta, SEM focuses on selling electricity to commercial customers and flowed 676.7 megawatts ("MW") in 2014 (891.4 MW in 2013). The 2013 comparison includes electricity customers in Pennsylvania and New York that were subsequently sold in 2014.

SEM markets its natural gas and electricity supply service through both internal and external sales channels. In SEM's commercial markets, it utilizes an internal sales force, independent sales agents, consultants and brokers. For residential marketing, SEM relies solely on a web based channel.

### **Supply and Transportation**

During 2014, SEM had nine financial and physical natural gas suppliers available for the management of its contractual customer supply requirements. SEM's largest supplier, TD Energy Trading Inc. represented approximately 35% of its supply commitments at December 31, 2014. SEM's supply commitments for the next five years as at December 31, 2014, are detailed in the notes to the 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.

Although customers purchase their gas supply through SEM, LDCs such as Union Gas Ltd., Enbridge Gas Distribution, Fortis BC Energy Inc. (formerly Terasen) and Gaz Metro LP are required on a regulated basis to distribute the gas to SEM's customers. LDCs are also required to assign SEM pipeline transportation and storage capability sufficient to service its customers under contract.

### **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, the British Columbia Utilities Commission and the Régie du L'Énergie and are required to maintain environmental and safety standards.

### **Employee and Labour Relations**

As at December 31, 2014, the Energy Services business had 2,202 fulltime, 57 part-time and 246 temporary, casual and seasonal employees as follows:

#### **Superior Propane**

Superior Propane had 1,163 fulltime, 28 part-time employees and 245 temporary, casual, inactive and seasonal employees. Approximately 273 of these employees are unionized through provincial or regional certifications in British Columbia/Yukon and Quebec. There are three union agreements, with expiry dates ranging from December 31, 2016 to April 30, 2018. Each of the British Columbia collective bargaining agreements that expired on December 31, 2013 and the Quebec collective bargaining agreement that expired on April 30, 2014 were successfully renegotiated with no labour disruptions.

#### **USRF**

USRF had 987 fulltime, 29 part-time and one temporary employee. Approximately 60 of these employees are unionized. One of the union agreements expires on March 31, 2015 and the other expires on May 29, 2015. Collective bargaining agreements are renegotiated in the normal course of business. Currently, the International Brotherhood of Teamsters (Seymour and Milford, CT) is in the process of negotiating a collective bargaining agreement for delivery drivers and service technicians. The Sheet Metal Workers International Association (McKee Road location in Rochester, NY) is also in the process of negotiating a collective bargaining agreement for service technicians.

### SEM

SEM had 22 full time non-union employees. Approximately 19 independent contract sales agents were engaged at December 31, 2014 in the marketing of energy contracts.

### SGL

SGL had 30 full-time employees and three contractors located in Calgary, Alberta.

### ***Intellectual Property***

Superior LP owns all the right, title and interest in the "Superior Propane" ("Superieur" in French), "Superior Gas Liquids" and "Superior Energy Management" trademarks, related design and other trade names, 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 Financial Information – Energy Services".

### ***Risk Factors***

For the risk factors related to the Energy Services business see "Risk Factors – Energy Services".



## **Specialty Chemicals**

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

### ***Product***

ERCO is a manufacturer of sodium chlorate, chlorine dioxide, sodium chlorite, chlorine, caustic soda, hydrochloric acid, potassium hydroxide 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 which, in turn, is used in a wide range of products, including high quality print and writing 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 is the largest marketer (see " – Business Operations – Strategic Supply Agreement" below) and second largest producer of sodium chlorate in North America. It is also second largest worldwide. The sodium chlorate industry is consolidated with the four largest companies comprising approximately 96% and 62% of estimated North American and global market capacity, respectively.

In the sodium chlorate business, ERCO (17%) competes primarily with three other producers on a worldwide basis with respect to estimated capacity, Eka Chemicals (22%), Kemira (12%) and Canexus (11%). Only ERCO and Eka Chemicals provide both integrated and standalone generators for the production of chlorine dioxide in pulp mills. By providing generator technology and services in addition to chemicals, ERCO is able to establish strong, long-term relationships with customers and gain an in-depth forward view on market developments.

ERCO'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 bleaching. ECF bleaching is considered to be the best available technology for the production of bleached pulp for paper around the world.

ERCO is the third largest producer of potassium chloralkali products in North America and has a strong competitive position. In the potassium hydroxide (caustic potash) business, ERCO (14%) competes with three other companies in North America based on production capacity, Occidental Chemical Corporation (52%), Olin Corporation (24%) and ASHTA Chemicals Inc. (10%).

ERCO is a regional competitor in the chloralkali business in Western Canada and the United States Midwest. Its total production capacity represents just over 1% of North American chloralkali production capacity. The six companies that account for approximately 79% of total North American chloralkali production capacity are the Occidental Chemical Corporation (21%), Dow Chemical Company (20%), Axiall Corporation (14%), Olin Corporation (12%), Shintech Inc. (6%), and Formosa Plastics Corporation (6%). Chlorine production by Dow Chemical Company and Formosa Plastics Corporation is integrated into their chlorine derivatives production, and chlorine production from Occidental Chemical Corporation, Georgia Gulf Corporation 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.

### ***Business Operations***

ERCO's operations became more diversified with the acquisition of the Port Edwards, Wisconsin chloralkali/potassium facility in June 2005. The completion of the sodium chlorate plant in Chile in September 2006 reduced its dependency on the North American pulp and paper industry. Investments in export capacity at the Buckingham, Quebec sodium chlorate plant have also enabled growth of export sales. Japan is ERCO's largest export market.

For the year ended December 31, 2014, global sodium chlorate, sodium chlorite and technology related sales represented 69% of ERCO's revenue. Chloralkali products in total represented 31% of revenue. Geographically, 60% of revenue is derived from the United States, 22% from customers in Canada, and 18% from outside North America.

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

<b>Product Line</b>	<b>% of 2014 Revenue</b>	<b>Market Structure</b>	<b>Product Fundamentals</b>	<b>Technology Capability</b>	<b>Revenue Diversification</b>	<b>Operating Efficiency</b>
Sodium Chlorate, related chlorine dioxide technology and Sodium Chlorite	69% (2013: 67%)	Four competitors	<ul style="list-style-type: none"> <li>• Mature to declining in North America</li> <li>• Growing globally</li> <li>• Industry operates historically in excess of 90% capacity utilization</li> </ul>	<ul style="list-style-type: none"> <li>• Leading global installer of chlorine dioxide generators</li> <li>• ERCO "SMARTS" technology enables optimization of customer chlorine dioxide generator process</li> <li>• 68 patents</li> </ul>	<ul style="list-style-type: none"> <li>• 68% Chemical sales</li> <li>• 1% Technology</li> <li>• More than 50 customers</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive cost position in North America</li> <li>• Seven plants and ability to ramp production up or down quickly enables centralized production management and industry leading operational flexibility</li> </ul>
Chloralkali: Products <ul style="list-style-type: none"> <li>• Chlorine</li> <li>• Hydrochloric acid</li> <li>• Potassium hydroxide</li> <li>• Caustic Soda</li> </ul>	31% (2013: 33%)	Leading position in regional Western Canada and U.S. Midwest market segments	<ul style="list-style-type: none"> <li>• Stable regional demand supported by strong North American pricing environment for Hydrochloric acid and Caustic Soda</li> </ul>	<ul style="list-style-type: none"> <li>• New membrane technology conversion completed in Port Edwards in 2009</li> </ul>	<ul style="list-style-type: none"> <li>• More than 100 customers</li> </ul>	<ul style="list-style-type: none"> <li>• Average cost structure, supported by transportation cost advantage in regional markets</li> <li>• Port Edwards product flexibility facilitates profit optimization</li> <li>• Competitive cost structure and operating flexibility</li> </ul>

### ***Production Facilities***

ERCO's production facilities use proven and safe manufacturing processes and are located close to major rail terminals and reliable supplies of raw materials. Electrical energy costs generally represent 70% to 85%, and salt approximately 10%, of the variable costs of producing sodium chlorate. Chloralkali/potassium products also utilize electrical energy and potassium chloride, each of which is a significant input cost.

ERCO's current production capacity at the six sodium chlorate plants in North America equals 459,000 MT. Internationally, ERCO designed and oversaw construction of a 55,000 MT facility in Chile. The facility commenced production in September 2006, taking advantage of continued growth opportunities in lower cost pulp and paper producing regions of South America. This brings ERCO's total annual sodium chlorate production capacity to approximately 514,000 MT.

ERCO has entered into a long-term contract with CMPC Celulosa S.A. ("**CMPC**") for 100% of the production capacity at the Mininco, Chile sodium chlorate facility. The contract has provisions which protect ERCO's investment in Chile and expires in 2036. However, CMPC has the option to purchase the plant assets beginning in 2020.

### ***Strategic Supply Agreement***

In October 2013, Specialty Chemicals entered into a supply agreement with Tronox to purchase up to 130,000 MT of sodium chlorate per year from Tronox's Hamilton, Mississippi facility, as nominated annually by Specialty Chemicals. The initial term of the agreement extends to December 31, 2016 and may be automatically extended in one year increments thereafter. Under the agreement, Tronox will continue to own and operate the facility, and Specialty Chemicals will purchase sodium chlorate to meet customer demands under certain customer contracts being assumed and to supply other existing and new customers. Specialty Chemicals paid an initial fee of \$4.3 million and will incur a quarterly fee of \$0.8 million during the initial term, plus a cost for sodium chlorate delivered. As part of the agreement, Specialty Chemicals will acquire finished inventory and assume existing railcar leases and customer contracts, as assigned. Additionally, the parties have entered into a strategic long-term agreement for the supply of chloralkali product by Specialty Chemicals to service Tronox's requirements in North America. Under the agreement, if the annual nominated volume by Specialty Chemicals is less than the specified volume of product set out in the agreement, Tronox may terminate the agreement early, at its sole option and its sole cost to permanently shut down the plant for the manufacture of sodium chlorate. Specialty Chemicals intends to significantly reduce its annual volume nomination for 2016 and such nomination will likely be less than the specified volume in the agreement.

The Tronox sodium chlorate facility is strategically located in the Southeast United States which will allow ERCO to optimize the logistics and transportation of product within its existing network of sodium chlorate facilities.

ERCO's annual sodium chlorite capacity is 10,000 MT.

In August 2007, ERCO announced the approval to convert its Port Edwards, Wisconsin potassium chloralkali facility from an older mercury-based process to newer membrane technology. The conversion was completed in 2009, for US\$138 million. This conversion was prudent as new legislation was tabled in the United States in 2009, requiring mercury-based chloralkali manufacturers to convert or cease production by 2015. Although this legislation has not yet been passed, the membrane technology now in place at ERCO's Port Edwards plant combined with the membrane technology at the Saskatoon, Saskatchewan production facility strengthens ERCO's market position and expands access to non-mercury grade customers. Furthermore, the conversion provides significant improvement in process efficiency with increased capacity from 78,000 tons to 113,000 tons, as stated in electrochemical units ("**ECUs**") at Port Edwards. ERCO's annual chloralkali capacity as stated in ECUs is 142,000 MT.

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

Facility	Product	Production Capacity (MT/Year)	Power Source	Transportation
Buckingham, Quebec	Sodium Chlorate Sodium Chlorite	130,000 3,600	Regulated Hydro Quebec	Rail, truck and ocean freight
North Vancouver, British Columbia	Sodium Chlorate	99,000	Regulated BC Hydro	Rail, truck and ocean barges and freight
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 42,000 <sup>(1)</sup> 46,200 dry 140,000 <sup>(1)(2)</sup>	Regulated Sask Power	Rail and truck
Hargrave, Manitoba	Sodium Chlorate	40,000	Regulated Manitoba Hydro	Rail
Thunder Bay, Ontario	Sodium Chlorite	6,400	N/A	Rail
Valdosta, Georgia	Sodium Chlorate	100,000	Regulated Georgia Power	Rail
Port Edwards, Wisconsin	Chlorine Caustic Soda Hydrochloric Acid Potassium Hydroxide	112,500 <sup>(1)</sup> 60,000 dry 220,000 <sup>(1)(2)</sup> 94,000 dry	Regulated Energy Wisconsin Power & Light	Rail and Truck
Mininco, IX Region, Chile	Sodium Chlorate	55,000	Provided by CMPC	Truck and pipeline to CMPC mills.

**Notes:**

(1) The production capacity for Chlorine and Hydrochloric Acid is the maximum available for each product. Actual volume produced will be determined based on the mix of production between the two products.

(2) 35% wet.

***Hydrochloric Acid Capacity Expansion***

During the first quarter of 2012, Superior's Board of Directors approved an \$18 million expansion of the hydrochloric acid production capacity at the Port Edwards, Wisconsin chloralkali facility. The capacity of 110,000 MT was increased to approximately 220,000 MT upon completion of the expansion. Commercial production was originally expected in the second quarter of 2014. In August 2014, the supplier of the HCl burner required for the expansion, informed ERCO that during the loading of the burner module for transport to Port Edwards, the module was damaged beyond repair. A new module was built and the project was successfully completed during the fourth quarter of 2014.

During the third quarter of 2012, Superior's Board of Directors approved a \$25 million expansion of the hydrochloric acid production capacity at the Saskatoon, Saskatchewan chloralkali facility. The existing capacity of 70,000 MT increased to approximately 140,000 MT upon completion of the expansion during the first quarter of 2015. The related rail loading facilities were also completed during the first quarter of 2015. Total cost was \$33 million, due to project delays, increased labour costs and additional complexity in design of the new rail and truck loading facilities.

Superior now has total hydrochloric acid production capacity of 360,000 MT. The expansion of the production capacity allows Superior to optimize overall returns at both facilities by converting a larger portion of its chlorine into higher value hydrochloric acid.

## ***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. ERCO 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.

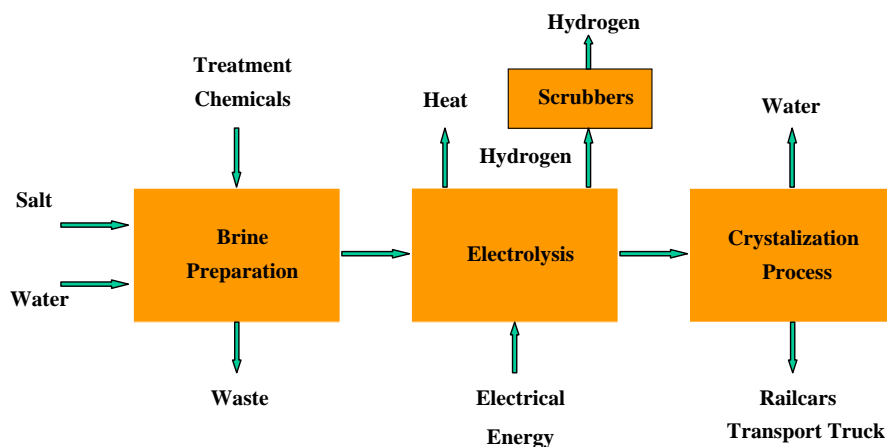
The current market demand for sodium chlorate in North America is estimated at 1.6 million MT and the world market at 3.2 million MT. The demand for sodium chlorate in North America is mature and further growth is expected from developing economic regions of the world, particularly the Asia Pacific and South American regions, as they increase their paper consumption and adopt more stringent environmental standards. North American bleached pulp producers continue to experience global competitive pressures as a result of increased fibre and energy costs and the impact of foreign exchange rates. Increasingly, new world scale pulp mills locate and/or expand production capacity in off-shore regions with significant access to low cost, renewable wood fibre, relatively stable energy supply and supportive government policies. Given the large size of these projects and the transportation challenges experienced in the South American and Asia Pacific markets, these customers prefer to have sodium chlorate facilities constructed in close proximity to their pulp and paper mills and captive to their requirements.

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

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

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

The following is a flow chart of the production process:



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 exports sodium chlorate from its Vancouver, British Columbia and Buckingham, Quebec production facilities.

### Chlorine Dioxide Generators

ERCO is the largest worldwide supplier of modern chlorine dioxide generators, which converts sodium chlorate into chlorine dioxide. Chlorine dioxide bleaching is currently 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 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 those 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 the ERCO Smarts™ product.

### 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, a biocide/disinfectant for food processing and sanitization, a bacteria scavenger in ethanol production as well as other industrial applications. The primary feedstock for sodium chlorite is sodium chlorate. ERCO currently produces sodium chlorite at its plants located in Buckingham, Quebec and Thunder Bay, Ontario.

Demand for the product increased significantly in 2007, as new industrial environmental applications and more stringent water treatment regulations arose. This has continued through 2014.

### Chloralkali Products

ERCO'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.

ERCO was a manufacturer of potassium carbonate in Wisconsin but has discontinued production of potassium carbonate in order to focus more on its growth opportunities in the potassium hydroxide sector.

Chloralkali products provide for an important diversification of ERCO's product lines, as nearly all of ERCO's chlorine, hydrochloric acid and potassium hydroxide 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 11.0 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 and steel pickling.

The basis of chlorine production involves dissolving salt (either NaCl or KCl) in water, supplying the brine into the anode compartment of a diaphragm cell. When power is applied, the chlorine ions (negative) move towards the anode (positive) where they are oxidized to form chlorine gas. The water is supplied to the cathode compartment of the cell, whereby the hydrogen ion (positive) is reduced at the cathode (negative), releasing hydrogen gas, a by-product of the chloralkali process. ERCO recovers some hydrogen for sale, to produce hydrochloric acid or to make steam.

The sodium (or potassium) ions pass through the membrane from the anode compartment to the cathode compartment where they continue 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:



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 1.58.

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 membrane technology.

### Caustic Soda

The market for caustic soda in North America is estimated at 10.2 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 505,000 dry MTs. 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 ions are of value. Potassium acetate is gaining popularity as a more environmentally friendly de-icing agent for airport runways due to environmental pressures to reduce use of glycol or urea based de-icers. The replacement of sodium with potassium in food is also gaining popularity.

### ***Sales and Marketing***

ERCO sodium chlorate sales are conducted by its business managers who 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 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 made to the growing South American and Asia/Pacific markets. ERCO has offices in Chile, Japan and China.

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

ERCO's top ten customers account for approximately 53% of its revenues with its largest customer comprising approximately 8% of its revenues.

### ***Supply Arrangements***

ERCO uses four primary raw materials to produce its chemical products: electrical energy, sodium chloride, KCl and water. The business has tariff driven long-term contracts or contracts that renew automatically with power producers in each of the jurisdictions in which its plants are located with the exception of the plant in Grande Prairie, Alberta where electricity is publicly traded. In Alberta, 100% of its power requirements were hedged through 2017 under an electrical sales agreement with TransCanada Energy Ltd., whose parent company TransCanada Corporation holds a power purchase agreement with TransAlta Corporation. Without the power purchase agreement, ERCO would incur market-based power rates at the Alberta facility.

Also, in Georgia, ERCO has a power arrangement with Georgia Power based on a combination of a standard Real Time Pricing and a firm tariff.

The electricity contracts generally provide ERCO 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 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 purchases sodium and potassium salts from 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.

KCl is a major raw material used in the production of Potassium Hydroxide at ERCO's Port Edwards, Wisconsin facility. Substantially all of ERCO's KCl is received from PCS. PCS operates two KCl mines



that are able to provide the product specifications required by ERCO. ERCO currently has a limited ability to source KCl from additional suppliers.

### ***Transportation***

Approximately 58% of ERCO's North American product transportation requirements are provided by railcar, 27% by transport truck and the remaining 15% by pipeline, ocean or marine barge vessel. ERCO's South American product is transported via pipeline (30%) and in trucks (70%). ERCO utilizes third party carriers to transport all of its products. Rail transportation requirements are provided by 1,842 railcars, of which 214 are owned and 1,628 are leased with staggered expiration terms through to 2024. ERCO generally extends leases in advance of the expiration date. It is anticipated that in the mid-term regulation governing the transportation of chlorine and the railcars used to transport chlorine will become more stringent. In 2008 and 2010, ERCO purchased 27 and 17 chlorine railcars, respectively, which can operate until the mid 2020's, ensuring access to a sufficient number of specialized cars until the next generation cars are approved and anticipated to be available.

All of ERCO's 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, 2014, ERCO had 554 full-time employees of which 157 were unionized. ERCO's plants in Vancouver, Saskatoon, Buckingham and Mininco, Chile are subject to collective bargaining agreements; the Vancouver and Saskatoon agreements were renegotiated in 2013. The new Vancouver agreement has a term of six years and will expire on November 30, 2018. The Saskatoon agreement (which expires on September 30, 2016 was settled consistent with "pattern bargaining" of Unifor (Unifor was officially formed on August 31, 2013 following the merger of the Canadian Auto Workers Union (CAW) and the Communications, Energy and Paperworkers Union of Canada (CEP)). Buckingham agreements were renegotiated in 2010 and 2011 and expire on March 15, 2017 and on November 30, 2017, respectively. A first three year collective agreement was reached with Mininco workers on September 22, 2014. Collective bargaining agreements are renegotiated in the normal course of business.

### ***Environmental, Safety and Regulatory***

ERCO's operations involve the handling, production, transportation, treatment and disposal of materials that are regulated by environmental, safety, and transportation laws and regulations. ERCO is a founding member of Responsible Care®, an initiative of the Chemistry Industry Association of Canada, the American Chemistry Council, and ASIQUIM (in Chile). Responsible Care® is the chemistry industry's commitment to sustainability - the betterment of society, the environment and the economy. ERCO has been successfully verified against the Responsible Care® ethic and codes of practice for a sixth time which represents over 19 years of externally verified compliance to the codes. ERCO continually strives to achieve an environmental and safety record that is "best-in-class" in the chemistry industry. ERCO has received many awards for its safety and environmental performance. In addition, the conversion to membrane technology at the Port Edwards chloralkali facility has eliminated future legacy and liability risks associated with mercury use and emissions at the facility.

### ***Intellectual Property***

Superior LP 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 is also in the process of registering the "ERCO Worldwide" Trade-

mark in various other countries. ERCO'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.

Superior LP holds 65 patents and 9 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 for the last five years, see "Selected Financial Information – Specialty Chemicals".

### ***Risk Factors***

For the risk factors related to ERCO's business see "Risk Factors – Specialty Chemicals".

## **Construction Products Distribution**

The CPD business is one of North America's leading distributors of commercial and industrial insulation and specialty walls and ceiling products. It is the largest distributor of specialty construction products to the walls and ceilings industry in Canada. CPD operates under a number of trade names in Canada and the U.S. See " – Construction Products Distribution – Intellectual Property" below.

GSD includes the distribution of a full line of construction products related to the walls and ceilings industry in both Canada and the United States, including drywall and components, acoustical ceilings, steel framing and accessories, building insulation and stucco, tools and other related products. Winroc was founded in 1971 and the majority of the GSD business was acquired with the acquisition of Winroc in 2004 and a number of regional acquisitions since that time.

C&I distribution includes the distribution of insulation as well as value added fabrication services in North America. Fabrication services involve converting raw insulation materials to exact size and shape specifications for industrial and commercial uses. CPD entered the C&I market in 2009 with the acquisition of SPI.

With the acquisition of the C&I business, CPD began selectively expanding existing U.S. architectural facilities to carry the full line of walls and ceilings products and services. The CPD business recognized opportunities to leverage GSD and C&I operations and the product mix, geographic service and broader network of locations to service customers under the Winroc-SPI brand.

The CPD business is presently relocating its headquarters from Calgary, Alberta to Dallas, Texas, with a U.S. administrative office in Lancaster, Pennsylvania.

### ***Products***

Sales of the CPD business can generally be grouped into the following product categories:

<b>Product category</b>	<b>% of revenue</b>	
	<b>2014</b>	<b>2013</b>
Commercial and industrial insulation	38%	32%
Drywall and Components	22%	22%
Ceilings	20%	21%
Building insulation	7%	7%
Steel framing and accessories	8%	8%
Stucco, tools and miscellaneous	5%	10%

### ***Competitive Conditions***

Selling price, service quality, product availability and ability to source product at competitive prices are major competitive factors in the CPD market.

The sectors in which CPD operates are largely fragmented. A small number of competitors cover multiple states or provinces. CPD will generally attempt to attain a target market position in key products in any market area. Local market position, distribution and service network, and purchasing volume, including the additional volume from third party buying group members, provide CPD and its buying group members with an advantage over smaller competitors.

The business is a local, relationship-based business in which distributors compete for installing contractors' purchases on the basis of both price and service, and additionally in the case of insulation, competing with other distributors to sell to end users such as industrial plants. Barriers to entry are

relatively low, but include proficiency in stock and scatter service, the ability to aggregate significant purchase quantities and corresponding volume discounts, as well as distribution agreements with suppliers. CPD establishes its position in a market as a productivity partner with the installing contractor, providing value added "stock and scatter" job site service for GSD and in services, including fabrication of insulation products, thereby allowing the contractor to focus on installation and optimization of jobsite labour efficiency.

The business approach is to achieve (a) strategically located centres, stocked with a comprehensive selection of products, (b) a knowledgeable team to ensure quick order turnaround, (c) a close working relationship with the customers to understand exact product needs and ensure on-time delivery while managing operating expenses, working capital levels, and (d) a close working relationship with suppliers to achieve joint market objectives.

### ***Business Operations***

CPD operates 132 branches, including 115 distribution branches, which are generally run by local managers that have direct responsibility for customer sales and service, pricing, warehouse and delivery operations, expense management and branch administration. Of these 132 operating branches, 17 are primarily insulation fabrication facilities. Some locations share GSD distribution, C&I distribution and/or fabrication branch operations. Two locations are owned and the remaining are leased from third parties under normal course operating leases. See Note 18 to the Financial Statements.

The branches are typically located in industrial or commercial settings and range from smaller warehouse locations to larger operations on up to five acres of land, complete with office and showroom areas, covered and uncovered product storage areas, and receiving and shipping space. The operating area for a branch is usually focused within a radius of 100 kilometres around branch locations, depending on the nature of the customer base and local transportation infrastructure.

In late 2013, CPD initiated a business transformation project to fully integrate its C&I and GSD operations. The project was halted in February 2014, due to the commencement of the strategic review of the CPD business. See "General Development of Superior - Three Year History - CPD Strategic Review". The business process and system integration portion of the project will recommence in early 2015, consisting of adopting best practice common business processes; and integrating all operations onto a single ERP computer system. The project is expected to take approximately two years.

As part of the business transformation, the Calgary corporate office is in the process of relocating to Dallas, Texas. The relocation is anticipated to be completed by the second quarter of 2015. This will position the corporate office in a central location with a major North American travel hub, closer to its customers and suppliers and the majority of its revenue base.

### ***Sales and Marketing***

CPD enjoys considerable geographic and customer diversification, servicing over 14,000 active customers across 115 distribution branches with 84 branches in the United States and 31 branches in five provinces in Canada. The ten largest customers represent approximately \$65 million of annual distribution sales or 8.0% of total sales. Sales are modestly seasonal, with 52% typically generated during the second and third quarters. Geographically, 66% of 2014 sales were derived from customers in the United States, 32% from Canada and 2% from other foreign countries.

### **Demand Profile**

For walls and ceiling products, the demand factors include GDP, demographic trends, level of activity in the residential and non-residential construction markets, interest rates, employment levels, consumer confidence and availability of financing. 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. New commercial construction activity has historically lagged new residential activity, as commercial infrastructure is later put in place to service residential development. Renovation activity trends have historically followed re-sale of existing homes and turnover of commercial building space. CPD sales are comprised of 59% commercial (new construction and renovation segments), 25% residential (new construction and renovation segments) and 16% industrial segments. A full product line, excluding industrial insulation, is sold to commercial, residential and industrial customers. Gypsum board and accessories, insulation and plaster products are the primary products sold to residential construction customers while industrial insulation is primarily sold to the industrial segments.

Annual sales revenues for the North American GSD industry are estimated at \$20 billion in 2014. CPD is estimated to be the largest gypsum specialty distributor in Canada and a leading GSD and C&I distributor in North America. Specialty distributors, such as CPD, servicing the builder/renovation contractor market, represent an estimated 50% to 60% of total industry revenues with the remainder sold through retailers and independent lumber yards who service the builder/contractor market as well as the do-it-yourself market.

In the C&I market, demand is driven largely by construction spending and economic growth. Products are provided for use in new construction, renovation of existing facilities, ongoing maintenance and OEM applications. It is estimated that 35% of CPD's C&I products are used in replacement/mechanical system maintenance applications with the remaining 65% used in new construction projects. Sectors within the C&I market that are particularly influential to demand include: commercial construction and renovation, the construction, maintenance and expansion of industrial process facilities (i.e. oil refineries, petrochemical plants and power generation facilities), and institutional facilities (i.e. government, healthcare and education).

The U.S. C&I market is estimated at US\$2.5 billion in 2014. It is estimated that slightly more than 80% of manufacturers' sales to end-users and contractors are through distributors, with the balance sold directly to contractors or end users.

### **Product Pricing**

Subject to market conditions, pricing to customers is primarily based on market supply and demand. At times, price changes from manufacturers are not immediately passed through to customers, which can create variation in profit margins. In addition, product gross margins vary between product categories and geographic areas. Customer pricing is managed at both the regional and local market level.

### **Supply Arrangements**

Supplier relationships are a critical component of the CPD business. For supplier relationships in product categories with limited distribution channel policies, the cost of products, product specification and knowledge, and the ability to source products in periods of tight supply are important to differentiating the division's service position to its customers. Additionally, the ability to place product creates value for suppliers.

Products are purchased from over 2,200 suppliers, of which the top ten provide 61% of the CPD's total supply requirements. A large portion of the GSD purchasing operations are conducted through the "Allroc" trade name. Allroc also provides third party purchasing services for other independent companies. This relationship allows the business to further leverage its purchasing power and improves buying group member profitability. CPD purchases its products pursuant to various purchasing programs and does not enter into long-term purchasing contracts.

### ***Transportation***

Suppliers are typically responsible for arranging transportation of products from the manufacturing facility to the operating locations or, in a small percentage of cases, directly to the customer job site. Deliveries are primarily made via common highway carrier or rail.

The CPD business operates a fleet of trucks and forklifts, both owned and leased, to transport product from its branch locations. It employs full-time, part-time and seasonal drivers and stockers who deliver products. As at December 31, 2014, the CPD business owned or leased 442 primary delivery vehicles and 129 trailers. In addition, it owned or leased 250 forklifts, which are used at its warehouse locations and customer job sites to load and unload product from delivery vehicles. Truck leases are a combination of operating and capital leases, with some being full service leases.

### ***Employee and Labour Relations***

As at December 31, 2014, Superior's CPD business had 1,448 employees, of which 576 were salaried and 872 were hourly employees. 66 of the hourly employees are unionized through collective bargaining agreements at six of its operating locations: Victoria, Campbell River and Nanaimo in British Columbia, London and Windsor in Ontario, and Oakdale in Minnesota.

The Campbell River and Nanaimo contracts will expire in 2015. All other agreements have 2017 expiry dates. Collective bargaining agreements are renegotiated in the normal course of business.

### ***Environmental, Safety and Regulatory***

Distribution of walls and ceilings and certain C&I products is a physically challenging job. In addition, fabricating insulation products requires care and skill in operating equipment. CPD invests significant resources and time in maintaining a safe, clean and healthy workplace. This is achieved through ongoing training, proper procedures and direction, incorporating a comprehensive delivery hazard assessment process and safe utilization of equipment such as forklifts, boom trucks, fabrication equipment and carts/dollies. The CPD business handles and stores a variety of construction materials and maintains appropriate material handling compliance programs.

The division participates in a number of environmental programs with its suppliers, including return/recycling of supply materials and return/recycling of acoustical ceiling products removed from renovation jobs by their customers. CPD has two locations that are certified by the Forest Stewardship Council as recognition of our environmental efforts. One location is in Calgary, Alberta and the other in Chicago, Illinois.

### ***Intellectual Property***

Superior LP and its subsidiaries own all the rights, title and interest in "Winroc-SPI", "Winroc", "Allroc", "Interior Building Supplies" "Inland Building Supplies (IBS)", "Fackoury's Building Supplies", "Leon's Insulation", "SPI", "International Technifab", "Construction Systems", "CSI", "Pamrod", "Paragon Industries Inc.", "Presnell Insulation Co.", "Extol of Texas", "Pamrod Products", "House of Ladders",

"Richlar Industries", "Abacus", "Proven Products SPI", "Burnaby Insulation", "PROLINE PLUS" and "Mulligan" trademarks, and in certain cases, the related design and certain trade names, registered or acquired at various times over the years and relating to specific programs or services provided.

CPD's trademarks are significant as they provide Superior LP and its subsidiaries with ownership of the names, designs and logos associated with the business, which are recognizable to the industries and customers served and useful in developing and maintaining brand loyalty.

***Financial Information***

For selected historical financial information for the past five years see "Selected Financial Information – Construction Products Distribution".

***Risk Factors***

For the risk factors related to the construction products distribution division, see "Risk Factors – Construction Products Distribution".

## SELECTED FINANCIAL INFORMATION

### ENERGY SERVICES

(millions of dollars)	2014 <sup>(1)</sup>	Years Ended December 31			
		2013 <sup>(1)</sup>	2012 <sup>(1)</sup>	2011 <sup>(1)</sup>	2010 <sup>(1)(2)</sup>
Revenues	2,481.2	2,372.9	2,301.6	2,686.1	2,339.1
Cost of products sold	1,977.0	1,907.7	1,854.2	2,230.9	1,904.2
Gross profit	504.2	465.2	447.4	455.2	434.9
Cash operating, and administrative costs	340.8	327.7	311.0	321.6	320.2
EBITDA from operations <sup>(4)(5)</sup>	163.4	137.5	136.4	133.6	114.7
Net Earnings before income taxes	75.2	94.5	111.7	(233.9)	18.0

### SPECIALTY CHEMICALS

(millions of dollars)	2014 <sup>(1)</sup>	Years Ended December 31			
		2013 <sup>(1)</sup>	2012 <sup>(1)</sup>	2011 <sup>(1)</sup>	2010 <sup>(1)</sup>
Revenues	659.3	582.6	542.2	529.1	481.1
Cost of products sold	394.2	330.8	283.9	290.4	260.9
Gross profit	265.1	251.8	258.3	238.7	220.2
Cash operating, and administrative costs	154.9	138.1	132.6	123.5	118.7
EBITDA from operations <sup>(4)(5)</sup>	110.2	113.7	125.7	115.2	101.5
Net Earnings before income taxes	53.0	72.1	75.2	56.1	39.3

### CONSTRUCTION PRODUCTS DISTRIBUTION

(millions of dollars)	2014 <sup>(1)</sup>	Years Ended December 31			
		2013 <sup>(1)</sup>	2012 <sup>(1)</sup>	2011 <sup>(1)</sup>	2010 <sup>(1)</sup>
Revenues	840.2	800.2	778.9	711.8	717.6
Cost of products sold	632.6	604.2	595.0	537.1	545.3
Gross profit	207.6	196.0	183.9	174.7	172.3
Cash operating, and administrative costs	172.8	162.8	156.6	150.5	145.5
EBITDA from operations <sup>(4)(5)(6)</sup>	34.8	33.2	27.3	24.2	26.8
Net Earnings before income taxes	27.2	20.3	13.8	(63.3)	(73.8)

### CONSOLIDATED FINANCIALS

(millions of dollars except average number of shares and per share amounts)	2014 <sup>(1)</sup>	Years Ended December 31			
		2013 <sup>(1)</sup>	2012 <sup>(1)</sup>	2011 <sup>(1)</sup>	2010 <sup>(1)</sup>
Revenues	3,975.9	3,752.8	3,624.3	3,925.6	3,537.4
Gross profit	922.1	868.8	846.3	827.5	780.6
EBITDA from operations <sup>(4)(5)(6)</sup>	308.4	284.4	289.4	273.0	243.0
Net Earnings before income taxes	58.9	52.7	90.0	(302.6)	(75.8)
Adjusted operating cash flow <sup>(4)(5)(6)</sup>	227.4	192.3	190.4	180.4	162.9
Per share, basic	\$1.80	\$1.56	\$1.70	\$1.65	\$1.54
Per share, diluted	\$1.75	\$1.53	\$1.66	\$1.65	\$1.54
Adjusted operating cash flow before restructuring costs <sup>(4)(5)(6)</sup>	238.7	207.6	200.4	180.4	162.9
Per share, basic	\$1.89	\$1.69	\$1.79	\$1.65	\$1.54
Per share, diluted	\$1.84	\$1.64	\$1.74	\$1.65	\$1.54
Average number of shares outstanding (millions)	126.2	126.2	111.9	109.2	105.6
Capital expenditures, net	85.3	83.8	44.8	49.8	214.5
Total assets <sup>(7)</sup>	2,114.9	2,141.1	2,032.1	2,193.4	2,696.9
Total revolving term bank credit and term loans <sup>(3)</sup>	461.1	499.4	577.6	690.4	670.3



**Notes:**

- (1) Financial information for the years ended December 31, 2014, 2013, 2012 and 2011 are based on IFRS, 2010 financial information has been restated for the impact of IFRS.
- (2) GHI was acquired effective January 20, 2010.
- (3) Includes accounts receivable securitization program and excludes leasing obligations.
- (4) See "Forward-looking Statements and Non-GAAP Financial Measures".
- (5) See Financial Statements for reconciliation to net income or loss.
- (6) Superior has restated its 2012 financial results and presented its 2013 and 2014 financial results on a before restructuring cost basis due to the one-time nature of these items.
- (7) The prior year has been restated for the impact of adopting International Accounting Standard (IAS) 19 *Employee Benefits* effective January 1, 2013. The impact to EBITDA from operations was a decrease to Energy Services of \$1.3 million as at December 31, 2012 and a decrease to Specialty Chemicals of \$1.8 million as at December 31, 2012.

## CAPITAL STRUCTURE

The following is a summary of the material attributes and characteristics of the securities of Superior, including the Common Shares and Debentures.

### Share Capital

Superior is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. The following is a summary of the rights, privileges, restrictions and conditions of the Common Shares and preferred shares. As at the date of this AIF, approximately 126.2 million Common Shares and no preferred shares are issued and outstanding.

#### **Common Shares**

The holders of Common Shares are entitled to (i) dividends if, as and when declared by the board of directors, (ii) one vote per share at meetings of the holders of Common Shares; and (iii) upon liquidation, dissolution or winding up of Superior, receive pro rata the remaining property and assets of Superior, subject to the rights of shares having priority over the Common Shares.

#### **Preferred Shares**

The preferred shares are issuable in series and each class of preferred shares will have such rights, restrictions, conditions and limitations as the board of directors may from time to time determine. The holders of preferred shares will be entitled, in priority to holders of Common Shares, to be paid rateably with holders of each other series of preferred shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and upon liquidation, dissolution or winding up of Superior, to be paid rateably with holders of each other series of preferred shares the amount, if any, specified as being payable preferentially to holders of such series.

#### **Convertible Debentures**

Superior has four separate series of Convertible Debentures consisting of the 5.75% Debentures, 6.0% Debentures, 7.5% Debentures and 6.0% Debentures (2013) (collectively, the "**Outstanding Debentures**") and any one series, the "**Debentures**"). The Debentures are issued pursuant to the Indenture and Superior can issue additional debentures under the Indenture from time to time.

#### **5.75% Debentures**

As at the date of this AIF, there are approximately \$172.5 million aggregate principal amount of 5.75% Debentures issued and outstanding which mature on June 30, 2017. The 5.75% Debentures are issuable in denominations of \$1,000 principal amount and bear interest at a rate of 5.75% per annum, 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 Common Shares at any time prior to the close of business on June 30, 2017 and the business day immediately prior to a date specified by Superior for redemption of the 5.75% Debentures at a conversion price of \$19.00 per Common Share.

The 5.75% Debentures are not redeemable by Superior on or before June 30, 2013. On or after June 30, 2013 and on or before June 30, 2015, the 5.75% Debentures are redeemable in whole or in part from time to time at the option of Superior 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 that the volume weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given (the "**Current Market Price**") on the day preceding the notice of redemption is at least 125% of the conversion price. On or after June 30, 2015, the 5.75% Debentures are redeemable prior to maturity in whole or in part from time to time at the option of Superior 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.

### **6.0% Debentures**

As at the date of this AIF, there are approximately \$150.0 million aggregate principal amount of 6.0% Debentures issued and outstanding which mature on June 30, 2018. The 6.0% Debentures are issuable in denominations of \$1,000 principal amount and bear interest at a rate of 6.0% per annum, payable semi-annually in arrears on June 30 and December 31 of each year. The 6.0% Debentures are convertible at the holder's option into Common Shares at any time prior to the close of business on June 30, 2018 and the business day immediately prior to a date specified by Superior for redemption of the 6.0% Debentures at a conversion price of \$15.10 per Common Share. Upon conversion of the Debentures, in lieu of delivering Common Shares, Superior may, at its option, elect to pay the holder cash (the "**Cash Conversion Option**"). If Superior elects, in its sole discretion, to settle the conversion obligation in cash, Superior shall deliver to the holder an amount in cash based on the daily volume weighted average price of the Common Shares on the TSX as measured over a period of 10 consecutive trading days commencing on the third day following the conversion date. Any payments pursuant to the Cash Conversion Option are subject to the subordination provisions contained in the Indenture as though such payments were payments of principal or interest on the Debentures.

The 6.0% Debentures are not redeemable by Superior on or before June 30, 2014. On or after June 30, 2014 and on or before June 30, 2016, the 6.0% Debentures are redeemable in whole or in part from time to time at the option of Superior 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 June 30, 2016, the 6.0% Debentures are redeemable prior to maturity in whole or in part from time to time at the option of Superior 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.

### **7.5% Debentures**

As at the date of this AIF, there are approximately \$74.7 million aggregate principal amount of 7.5% Debentures issued and outstanding which mature on October 31, 2016. The 7.5% Debentures are issuable in denominations of \$1,000 principal amount and bear interest at a rate of 7.5% per annum, payable semi-annually in arrears on April 30 and October 31 of each year. The 7.5% Debentures are convertible at the holder's option into Common Shares at any time prior to the close of business on October 31, 2016 and the business day immediately prior to a date specified by Superior for redemption of the 7.5% Debentures at a conversion price of \$11.35 per Common Share. Upon conversion of the Debentures, in lieu of delivering Common Shares, Superior may, at its option, elect to pay the holder cash pursuant to the Cash Conversion Option. If Superior elects, in its sole discretion, to settle the conversion obligation in cash, Superior shall deliver to the holder an amount in cash based on the daily

volume weighted average price of the Common Shares on the TSX as measured over a period of 10 consecutive trading days commencing on the third day following the conversion date. Any payments pursuant to the Cash Conversion Option are subject to the subordination provisions contained in the Indenture as though such payments were payments of principal or interest on the Debentures.

The 7.5% Debentures are not redeemable by Superior on or before October 31, 2014. On or after October 31, 2014 and on or before October 31, 2015, the 7.5% Debentures are redeemable in whole or in part from time to time at the option of Superior 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 October 31, 2015, the 7.5% Debentures are redeemable prior to maturity in whole or in part from time to time at the option of Superior 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.

### **6.0% Debentures (2013)**

As of the date of this AIF, there are approximately \$97.0 million aggregate principal amount of 6.0% Debentures issued and outstanding which mature on June 30, 2019. The 6.0% Debentures (2013) are issuable in denominations of \$1,000 principal amount and bear interest at a rate of 6.0% per annum, payable semi-annually in arrears on June 30 and December 31 of each year. The 6.0% Debentures (2013) are convertible at the holder's option into Common Shares at any time prior to the close of business on June 30, 2019 and the business day immediately prior to a date specified by Superior for redemption of the 6.0% Debentures (2013) at a conversion price of \$16.75 per Common Share. Upon conversion of the Debentures, in lieu of delivering Common Shares, Superior may, at its option, elect to pay the holder cash pursuant to the Cash Conversion Option. If Superior elects, in its sole discretion, to settle the conversion obligation in cash, Superior shall deliver to the holder an amount in cash based on the daily volume weighted average price of the Common Shares on the TSX as measured over a period of 10 consecutive trading days commencing on the third day following the conversion date. Any payments pursuant to the Cash Conversion Option are subject to the subordination provisions contained in the Indenture as though such payments were payments of principal or interest on the Debentures.

The 6.0% Debentures (2013) are not redeemable by Superior on or before July 31, 2016. On or after July 31, 2016 and on or before July 31, 2017, the 6.0% Debentures (2013) are redeemable in whole or in part from time to time at the option of Superior 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 that the current Market Price on the day preceding the notice of redemption is at least 125% of the conversion price. On or after July 31, 2017, the 6.0% Debentures (2013) are redeemable prior to maturity in whole or in part from time to time at the option of Superior on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest.

### **General Terms**

Each series of Outstanding Debentures have the following general terms:

Superior will, on redemption or maturity of the Outstanding Debentures, repay the indebtedness represented by the Outstanding Debentures by paying the Debenture Trustee an amount equal to the principal amount of the Outstanding Debentures, together with accrued and unpaid interest thereon. Superior has the option, on not more than 60 days and not less than 40 days prior notice and subject to regulatory approval, to satisfy its obligation to repay the principal amount and/or accrued interest thereon of the Outstanding Debentures which are to be redeemed or have matured, by issuing common shares to holders thereof. The number of Common Shares to be issued will be determined by dividing the aggregate principal amount to be redeemed (or applicable portion thereof) 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 Outstanding Debentures is subordinated in right of payment to the prior payment (or provision made for such payment) in full of all Senior Indebtedness. "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 Superior, other than indebtedness evidenced by the Debentures and all other existing or future indebtedness or other instruments of Superior which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures.

The Indenture provides that an event of default ("**Event of Default**") in respect of Outstanding Debentures issued under the Indentures will occur if any one or more of the following described events has occurred and is continuing with respect to such Outstanding 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 when due, whether at maturity, upon redemption, by declaration or otherwise; or (iii) certain events of bankruptcy, insolvency or reorganization of Superior under bankruptcy or insolvency laws. If an Event of Default has occurred, is continuing and is not otherwise waived by the respective holders of Debentures, 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 the Indenture, to be immediately due and payable.

Upon the occurrence of a change of control of Superior involving the acquisition of voting control or direction over 50% or more of the Common Shares but excluding an acquisition, merger, reorganization, amalgamation, arrangement, combination or other similar transaction if the holders of voting securities of Superior immediately prior to such transaction hold securities representing at least 50% of the voting control or direction in Superior or the successor entity upon completion of the transaction (a "**Change of Control**"), each holder of such Debentures may require Superior to purchase, on the date which is 30 days following the giving of notice (the "**Debenture Offer**") of the Change of Control (the "**Change of Control Purchase Date**"), the whole or any part of such holder's Debentures at a price equal to 100% of the principal amount thereof (the "**Offer Price**") plus accrued and unpaid interest up to, but excluding, the Change of Control Purchase Date. If 90% or more in aggregate principal amount of the particular series of Debentures issued and outstanding under the Indenture on the date of the giving of notice of the Change of Control have been tendered for purchase on the Change of Control Purchase Date, Superior will have the right to redeem all the remaining Debentures of such series on such date at the Offer Price, together with accrued and unpaid interest up to, but excluding, such date. Notice of such redemption must be given to the Debenture Trustee prior to the Change of Control Date and as soon as possible thereafter, by the Debenture Trustee, to the holders of the Debentures not tendered for purchase.

Furthermore, if a Change of Control occurs in which 10% or more of the consideration for the voting shares in the transaction or transactions constituting a Change of Control consists of: (i) cash; (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a stock exchange, then during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective and ending 30 days after the Debenture Offer is delivered, holders of such Debentures will be entitled to convert their Debentures at a discounted conversion price determined in accordance with the terms of the Indenture.

The Indenture provides that if an offer is made for all of the outstanding Debentures issued under such 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 (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 same terms as the Offeror acquired the first 90% of the Debentures.

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

### **Shareholder Rights Plan**

The Board of Directors of Superior approved and Superior entered into a Shareholder Rights Plan with Computershare Trust Company of Canada effective February 16, 2012. The Shareholder Rights Plan was amended and restated on March 30, 2012 and ratified by Shareholders at the annual and special meeting of Shareholders held May 2, 2012. According to the rules of the TSX, Shareholders must confirm the Shareholder Rights Plan every three years. Accordingly, at the 2015 AGM, Shareholders will be asked to approve a resolution ratifying the renewal, amendment and restatement of the Shareholder Rights Plan.

The objectives of the Shareholder Rights Plan are to ensure, to the extent possible, that all Shareholders are treated equally and fairly in connection with any takeover bid for Superior. The Shareholder Rights Plan is not intended to prevent a takeover of Superior or to deter fair offers for the Common Shares. Takeover bids may be structured to be coercive or may be initiated at a time when the Board of Directors will have a difficult time preparing an adequate response to the offer. Accordingly, such offers do not always result in Shareholders receiving equal or fair treatment or full or maximum value for their investment. Under current Canadian securities legislation, a takeover bid is required to remain open for 35 days, a period of time which may be insufficient for the directors to: (i) evaluate a takeover bid; (ii) explore, develop and pursue alternatives which are superior to the takeover bid and which could maximize Shareholder value; and (iii) make reasoned recommendations to the Shareholders.

The Shareholder Rights Plan discourages discriminatory, coercive or unfair takeovers of Superior and gives the Board of Directors time if, in the circumstances, the Board of Directors determines it is appropriate to take such time, to pursue alternatives to maximize Shareholder value in the event an unsolicited takeover bid is made for all or a portion of the outstanding Common Shares. The Shareholder Rights Plan discourages coercive hostile takeover bids by creating the potential that any Common Shares which may be acquired or held by such a bidder will be significantly diluted. The potential for significant dilution to the holdings of such a bidder can occur as the Shareholder Rights Plan provides that all holders of Common Shares who are not related to the bidder will be entitled to exercise rights issued to them under the Shareholder Rights Plan and to acquire Common Shares at a substantial discount to prevailing market prices. The bidder or the persons related to the bidder will not be entitled to exercise any rights under the Shareholder Rights Plan. Accordingly, the Shareholder Rights Plan encourages potential bidders to make takeover bids by means of a "permitted bid" or to approach the Board of Directors to negotiate a mutually acceptable transaction wherein the Board of Directors can waive the operation of the Shareholder Rights Plan in accordance with its terms. The "permitted bid" provisions of the Shareholder Rights Plan are designed to ensure that in any takeover bid for outstanding Common Shares, all Shareholders are treated equally and are given adequate time to properly assess such takeover bid on a fully-informed basis (as the bid must remain open for at least 60 days).

A complete copy of the Shareholder Rights Plan is available on SEDAR under Superior's issuer profile at [www.sedar.com](http://www.sedar.com).

## RATINGS

### Credit Ratings

Credit ratings are intended to provide banks and capital market participants with a framework for comparing the credit quality of 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 precursor to a rating change or future action. Superior LP provides the rating agencies with confidential, in-depth information in support of the rating process.

Superior LP's credit ratings at the date of this AIF were as follows:

	DBRS	S&P
Corporate Credit Rating	BB(high) Stable Trend	BB Stable
Senior Secured Notes	BB(high) Stable Trend	BBB(-)
Senior Unsecured Notes	BB(low) Stable Trend	BB

*Credit ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the assigning rating agency. Security and stability ratings are not recommendations to purchase, hold or sell the securities, as ratings do not comment as to the market price or suitability for a particular investor. Furthermore, there is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn by a rating agency in the future, if, in its judgment, circumstances so warrant.*

### DBRS Ratings

DBRS' credit ratings for long-term debt instruments range from AAA to D. A rating of BB is the fifth highest of DBRS' ten rating categories and defined to be speculative and non-investment grade, where the degree of protection afforded interest and principal is uncertain, particularly during periods of economic recession. Entities in the BB range may have limited access to capital markets and additional liquidity support. In many cases, deficiencies in critical mass, diversification, and competitive strength are additional negative considerations.

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.

DBRS also uses "rating trends" to provide guidance regarding the outlook for the rating, with rating trends falling into one of three categories – "Positive", "Stable" and "Negative". The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue, or in some cases, unless challenges are addressed.

### S&P Ratings

S&P's credit ratings for long-term debt instruments range from AAA to D. A BBB rating is the fourth highest and a BB rating the fifth highest rating of S&P's ten rating categories for long-term debt. A rating

of BBB(-) is defined as the lowest investment grade rating by market participants. A rating of BBB(-) is potentially subject to adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. 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 plus (+) or minus (-) on an S&P credit rating is used to show the relative standing of an issue within the major rating categories.

A S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given by S&P to any changes in the economic and/or fundamental business conditions. An outlook is not necessarily a precursor of a rating change or future CreditWatch action.

## **LONG-TERM DEBT**

### **Credit Facility**

On December 31, 2008 and in connection with the Conversion, Superior and its subsidiaries including Superior LP and Superior US Holdings, as borrowers (the "**Borrowers**"), along with additional subsidiaries, as guarantors ("**Guarantors**"), entered into an amended and restated credit agreement ("**Amended and Restated Credit Agreement**") with eleven financial institutions as lenders (and such additional lenders as may be added from time to time) ("**Lenders**") providing for, among other things, a revolving term credit facility in the aggregate amount of \$595 million.

Pursuant to an amending agreement dated May 19, 2009 among the Borrowers, the Guarantors and the Lenders, the Credit Facility was amended to add an additional lender to the consortium of lenders, extend the maturity date from June 28, 2010 to June 28, 2011 and reduce the size of the facility from \$595 million to \$570 million. The Credit Facility was further amended on August 26, 2009 to address certain amendments of a "house-keeping" nature.

On January 27, 2010, Superior and its subsidiaries, Superior LP and Superior Plus U.S. Financing, Inc., completed an expansion of the Credit Facility from \$570 million to \$600 million. The Credit Facility was subsequently reduced to \$450 million on June 25, 2010. On June 20, 2011, the Credit Facility was increased to \$615 million in conjunction with the termination of Superior's accounts receivable securitization program.

On March 28, 2012, Superior extended the maturity date of its Credit Facility to June 27, 2015 with eight financial institutions and reduced the size of the facility to \$570 million.

On June 10, 2013, Superior extended the maturity date of its Credit Facility, which totals \$570 million to June 27, 2016. The Credit Facility, which includes eight Lenders, can be expanded up to \$750 million.

On June 20, 2014 and November 26, 2014, Superior extended the maturity date of its Credit Facility which totals \$570 million to June 27, 2018.

Under the Credit Facility, Superior must maintain a Consolidated Secured Debt (as defined in the Credit Facility) (which excludes the Senior Debentures issued by Superior LP but includes obligations owing under an accounts receivable securitization program and capital lease obligations) to compliance EBITDA ratio of not more than 3.0 to 1.0 and a Consolidated Debt, excluding convertible unsecured subordinated debentures, to compliance EBITDA coverage ratio of no more than 5.0 to 1.0.

Additionally, distributions (including payments to Debentureholders and to Superior and its Shareholders) cannot exceed compliance EBITDA less non-adjusted interest expense, cash income taxes and certain proforma cash income taxes, plus \$35.0 million on a trailing twelve month rolling basis. However, the test with respect to distributions allows that principal payments to Debentureholders can be excluded from the calculation of distributions if Superior's Consolidated Secured Debt to compliance EBITDA ratio is less than 2.5 times in any respective compliance reporting period, including the pro forma impact of the related principal repayment. In addition, as a result of acquisitions, Superior is permitted to increase its Consolidated Secured Debt to compliance EBITDA ratio to 3.5 times for a period of 90 days. For compliance purposes, convertible unsecured subordinated debentures are excluded from the determination of financial covenant ratios. In addition, Superior cannot make any distributions or pay dividends to its Shareholders if a default or event of default exists under the Amended and Restated Credit Agreement or would occur as a result thereof.

At December 31, 2014, the Consolidated Secured Debt to compliance EBITDA ratio when calculated in accordance with Superior's Credit Facility was 1.2 times to 1.0 (December 31, 2013 – 2.2 times) and the Consolidated Debt to compliance EBITDA ratio when calculated in accordance with Superior's Credit Facility was 1.9 times to 1.0 (December 31, 2013 – 2.2 times). These ratios are within the requirements contained in Superior's debt covenants under the Credit Facility and the U.S. Notes, which restrict its ability to incur additional long-term debt and make payment of dividends to Superior and its Shareholders.

## **U.S. Notes**

On October 29, 2003, Superior Plus Inc. issued, by way of a private placement pursuant to an agreement between Superior LP (as successor to Superior Plus Inc.) and certain U.S. private placement investors, primarily consisting of U.S. insurance companies (the "**U.S. Note Agreement**"), an aggregate of US\$160.0 million senior secured notes (the "**U.S. Notes**"), of which US\$10.0 million matured on October 29, 2013 (the "**Series A Notes**") with the remainder maturing on October 29, 2015 (the "**Series B Notes**"). The Series A Notes have annual principal repayments commencing October 29, 2009 with the Series B Notes having equal annual repayments commencing October 29, 2011. The U.S. Notes bear interest at fixed rates. Pursuant to the terms of the U.S. Notes, repayment of principal began in 2009. As of the date of this AIF, US\$30 million of the U.S. Notes are outstanding.

On March 30, 2010, certain financial covenant ratios of the U.S. Note Agreement were amended to make them consistent with the financial covenant ratios under its amended Credit Facility other than the exclusion of any obligations owing under an accounts receivable securitization program from the calculation of Consolidated Secured Debt for purposes of the Consolidated Secured Debt to compliance EBITDA ratio calculation. Accordingly, under the amended U.S. Note Agreement, Superior is not permitted to have a Consolidated Secured Debt (which excludes obligations owing under the accounts receivable securitization) to compliance EBITDA ratio of more than 3.0 to 1.0 and a Consolidated Debt to compliance EBITDA ratio of more than 5.0 to 1.0.

In addition, Superior LP cannot make any distributions to Superior or its Shareholders if (a) a default or event of default exists under the U.S. Note Agreement or would occur as a result thereof, or (b) if the ratio of Consolidated Secured Debt to Consolidated EBITDA for the immediately preceding four consecutive fiscal period exceeded 3.0 to 1.

## **6.5 % Notes**

On December 9, 2014, Superior LP issued by way of a private placement and pursuant to the 6.5% Note Indenture, an aggregate of \$200 million of senior unsecured notes with a final maturity date of December 9, 2021 (the "**6.5% Notes**" or the "**Senior Unsecured Notes**"). The Senior Unsecured Notes bear



interest at a rate of 6.50% per annum payable semi-annually in arrears on June 9 and December 9 of each year, commencing on June 9, 2015.

The 6.5% Note Indenture provides that at any time prior to December 9, 2017, Superior LP may, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of the Senior Unsecured Notes at a redemption price of 106.50% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of one or more common equity offerings, provided that at least 65% of the aggregate principal amounts of the Senior Unsecured Notes originally issued under the 6.5% Note Indenture remain outstanding immediately after the occurrence of such a redemption and the redemption occurs within 90 days after the closing of the related common equity offering.

At any time prior to December 9, 2017, Superior LP may redeem all or part of the outstanding Senior Unsecured Notes at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest and a premium as determined in accordance with the provisions of the 6.5% Note Indenture.

At any time on or after December 9, 2017, Superior LP may redeem all or part of the outstanding Senior Unsecured Notes at the prescribed redemption price plus accrued and unpaid interest. The prescribed redemption price is as follows: 2017 – 104.875%, 2018 - 103.250%, 2019 – 101.625% and 2020 and thereafter – 100%.

If a Change of Control (as defined in the 6.5% Note Indenture) occurs at any time, Superior LP will be required to make an offer to each holder of the Senior Unsecured Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the Senior Unsecured Notes plus accrued interest and unpaid interest pursuant to the terms and procedures set forth in the 6.5% Note Indenture.

Under the term of the 6.5% Note Indenture, Superior LP cannot incur additional indebtedness unless Superior LP's fixed charge coverage ratio, as determined in accordance with the 6.5% Note Indenture, for the most recently completed four quarters would not have been less than 2.0 to 1.0 as determined on a pro forma basis. As at December 31, 2014, the fixed charge coverage ratio was 4.9 times to 1.0. Additionally, Superior LP may incur additional debt so long as the total debt of Superior LP does not exceed the greater of \$570 million or an amount that causes Superior LP's Senior Secured Leverage (as defined in the 6.5% Note Indenture) ratio to exceed 3.0 times to 1.0.

Additionally, Superior LP cannot make distributions to Superior or its Shareholders if (a) a default or event of default exists under the 6.5% Note Indenture or would occur as a result thereof, or (b) if after giving effect thereto Superior LP or any Designated Subsidiary (as defined in the 6.5% Note Indenture) could not, on a pro forma basis, incur at least \$1.00 of addition debt.

The payment of dividends from Superior to holders of Common Shares are not prohibited as a restricted payment provided that at the time of the payment, the aggregate of all such dividends paid in the trailing four quarters does not exceed Excess Cash (as defined in the 6.5% Note Indenture) and that the Senior Secured Leverage ratio would not exceed 3.0 times to 1.0.

### **Accounts Receivable Sales Program**

On December 20, 2012, Superior LP entered into a master receivables purchase agreement (the "**Receivables Purchase Agreement**") with a Canadian chartered bank, under which Superior LP may sell to such bank from time to time, on an uncommitted revolving basis, a 100% interest in certain accounts receivable due from certain customers of Superior LP. Under the Receivables Purchase Agreement, Superior LP repurchases unpaid purchased receivables each week, subject to certain

exceptions. The maximum aggregate amount of accounts receivable which may be purchased from Superior LP under the Receivables Purchase Agreement is limited to \$15 million.

### **Term Loan Facility**

On February 14, 2014, Superior closed a \$125 million term loan facility with the Bank of Nova Scotia to provide additional short-term financial flexibility due to fluctuations in working capital requirements. The facility was scheduled to mature on August 15, 2014 and was repaid and cancelled on April 25, 2014.

## **DIVIDENDS**

### **Dividend Policy**

The Board of Directors has the discretion to determine if and when dividends are declared and the amount that is paid to Shareholders through any such dividends of Superior. As a CBCA corporation, the dividend policy must comply with the requirements of the CBCA, including the satisfaction of the liquidity test contained therein.

The members of the Board of Directors adopted a dividend policy to provide sustainable dividends to Shareholders to the extent that it is appropriate considering cash flow from operations, financial condition, financial leverage, working capital requirements and investment opportunities. Dividends are expected to continue to be paid monthly to Shareholders of record on the last business day of each calendar month with actual payment to be made to such Shareholders on or about the 15th day of the following month, subject to any contractual restrictions on such dividends including any agreements entered into with lenders of Superior or its affiliates. The Board of Directors can modify the dividend policy from time to time in its discretion. See "Long-Term Debt – Credit Facility".

On October 30, 2014, Superior announced that it increased its monthly dividend by 20% to \$0.06 per Common Share or \$0.72 per Common Share on an annualized basis from the prior monthly level of \$0.05 per Common Share or \$0.60 per Common Share on an annualized basis, effective with Superior's November 2014 dividend.

The board of directors of the General Partner have the discretion, subject to the limits prescribed in the Partnership Agreement, to determine the amount and the frequency of Superior LP's distributions to Superior. The directors of the General Partner have implemented a distribution policy that enables Superior to maintain its dividend policy from time to time, 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 modify the current distribution policy from time to time in its discretion. Superior will designate all dividends to be "eligible dividends" for purposes of the Tax Act such that Superior Shareholders who are individuals will benefit from the enhanced gross-up and dividend tax credit mechanism under the Tax Act.

## Cash Dividends

The following table sets forth the amount of dividends Superior has paid on the Common Shares for the three most recently completed financial years.

<b>Record Date</b>	<b>Payment Date</b>	<b>Dividend Per Common Share (\$)</b>	<b>Annual Distribution</b>
December 31, 2014	January 15, 2015	0.06	<b>2014: \$0.62</b>
November 30, 2014	December 15, 2014	0.06	
October 31, 2014	November 14, 2014	0.05	
September 30, 2014	October 15, 2014	0.05	
August 31, 2014	September 15, 2014	0.05	
July 31, 2014	August 15, 2014	0.05	
June 30, 2014	July 15, 2014	0.05	
May 31, 2014	June 13, 2014	0.05	
April 30, 2014	May 15, 2014	0.05	
March 31, 2014	April 15, 2014	0.05	
February 28, 2014	March 14, 2014	0.05	
January 31, 2014	February 14, 2014	0.05	
December 31, 2013	January 15, 2014	0.05	
November 30, 2013	December 13, 2013	0.05	
October 31, 2013	November 15, 2013	0.05	
September 30, 2013	October 15, 2013	0.05	
August 31, 2013	September 13, 2013	0.05	
July 31, 2013	August 15, 2013	0.05	
June 30, 2013	July 15, 2013	0.05	
May 31, 2013	June 14, 2013	0.05	
April 30, 2013	May 15, 2013	0.05	
March 31, 2013	April 12, 2013	0.05	
February 29, 2013	March 15, 2013	0.05	
January 31, 2013	February 15, 2013	0.05	
December 31, 2012	January 11, 2013	0.05	<b>2012: \$0.60</b>
November 30, 2012	December 14, 2012	0.05	
October 31, 2012	November 15, 2012	0.05	
September 30, 2012	October 15, 2012	0.05	
August 31, 2012	September 14, 2012	0.05	
July 31, 2012	August 15, 2012	0.05	
June 30, 2012	July 13, 2012	0.05	
May 31, 2012	June 15, 2012	0.05	
April 30, 2012	May 15, 2012	0.05	
March 31, 2012	April 13, 2012	0.05	
February 29, 2012	March 15, 2012	0.05	
January 31, 2012	February 15, 2012	0.05	

## Dividend Reinvestment Program

In May 2010, Superior restarted the DRIP (originally implemented in January 2007 and terminated on December 19, 2008 in connection with the Conversion), allowing participants to have their monthly cash dividends reinvested in additional Common Shares at an effective discount of 5% of the average market price of the Common Shares over the five day trading period ending on the business day immediately prior to the dividend payment date. Effective April 13, 2013, the active operation of Superior's DRIP was stopped. The DRIP program will remain in place should Superior want to reactivate the DRIP at a future date.

## MARKET FOR SECURITIES

Superior's Common Shares and Debentures trade on the TSX under the following symbols:

Trading Symbol	Security
SPB	Common Shares
SPB.db.e	5.75% Debentures
SPB.db.f	6.0 % Debentures
SPB.db.g	7.5 % Debentures
SPB.db.h	6.0 % Debentures (2013)

The following tables summarize the trading activity of Superior's securities on the TSX for the year ended December 31, 2014:

Common Shares (SPB)	High	Low	Close	Volume
January	12.63	11.80	12.24	5,819,447
February	12.81	12.02	12.29	5,176,480
March	12.47	11.71	12.18	6,192,496
April	13.71	12.07	13.21	10,955,268
May	13.86	13.06	13.43	4,923,926
June	14.19	13.01	14.19	7,335,323
July	14.30	13.45	13.92	6,325,839
August	15.06	13.70	14.84	5,382,804
September	14.91	13.74	14.11	6,895,809
October	14.26	11.71	12.21	11,220,710
November	13.34	11.84	12.85	6,176,652
December	12.84	11.31	11.99	5,449,496
<b>2014</b>	<b>15.06</b>	<b>11.31</b>	<b>11.99</b>	<b>81,854,250</b>

5.75% Debentures (SPB.db.e)	High	Low	Close	Volume
January	103.00	101.50	102.00	11,350
February	102.99	102.00	102.02	13,240
March	103.25	102.00	102.51	17,720
April	104.50	102.50	103.80	14,000
May	104.50	103.80	104.05	11,110
June	104.66	104.00	104.30	25,830
July	104.40	103.00	103.20	37,300
August	103.74	103.21	103.70	18,740
September	103.98	103.21	103.21	13,200
October	103.60	102.50	102.50	14,520
November	103.26	102.25	102.50	31,565
December	103.00	101.00	102.00	12,140
<b>2014</b>	<b>104.66</b>	<b>101.00</b>	<b>102.00</b>	<b>220,715</b>

6.0% Debentures (SPB.db.f)	High	Low	Close	Volume
January	105.50	104.50	105.00	8,420
February	105.20	102.55	104.76	15,860
March	105.75	104.25	105.00	29,110
April	109.25	104.92	108.00	22,640
May	109.25	108.00	108.50	15,910

<b>6.0% Debentures (SPB.db.f)</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume</b>
June	109.35	108.00	108.75	15,840
July	110.00	107.75	108.75	17,440
August	111.00	108.55	111.00	7,000
September	110.41	107.32	109.00	20,660
October	108.76	103.61	104.50	127,640
November	106.00	104.00	106.00	6,070
December	105.55	103.50	103.50	10,630
<b>2014</b>	<b>111.00</b>	<b>102.55</b>	<b>103.50</b>	<b>297,220</b>

<b>7.5% Debentures: (SPB.db.g)</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume</b>
January	118.34	116.00	116.75	2,580
February	120.00	118.00	118.00	4,190
March	118.00	114.87	115.15	47,260
April	125.32	118.00	121.48	8,170
May	125.00	121.70	123.89	17,470
June	128.00	120.00	128.00	2,290
July	125.50	122.75	124.32	5,200
August	130.23	123.34	126.82	14,240
September	127.73	119.96	123.69	7,320
October	124.48	109.00	111.05	10,980
November	117.55	106.97	117.55	12,760
December	113.00	106.84	108.25	2,770
<b>2014</b>	<b>130.23</b>	<b>106.84</b>	<b>108.25</b>	<b>135,230</b>

<b>6.0% Debentures (2013) (SPB.db.h)</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume</b>
January	103.50	102.30	102.80	33,060
February	105.00	102.75	104.35	10,190
March	104.50	103.51	104.00	4,695
April	107.00	104.00	105.55	10,210
May	107.00	105.50	106.00	3,750
June	106.25	105.00	106.00	5,270
July	107.30	106.00	106.33	14,645
August	109.75	106.03	109.00	14,000
September	109.00	107.57	107.57	32,410
October	107.77	104.00	106.50	20,100
November	106.25	105.02	105.50	13,470
December	105.35	102.00	103.50	11,110
<b>2014</b>	<b>109.75</b>	<b>102.00</b>	<b>103.50</b>	<b>172,910</b>

## DIRECTORS AND OFFICERS OF SUPERIOR

Shareholders elect the directors of the Corporation at each annual meeting of the Corporation's Shareholders. The directors of the Corporation serve until the next annual meeting of Shareholders or until their successors are duly elected or appointed.

The names, province or state and country of residence, and principal occupations for the five most recently completed financial years and committee membership of the directors of Superior as of the date of this AIF are set out below.

With the retirement of Mr. Billing, effective December 31, 2014, the Board currently consists of nine members. Mr. MacDonald will not be standing for re-election at the 2015 AGM.

Director independence is determined by the Board based on the definition of independence in National Instrument 58-101 – "Disclosure of Corporate Governance Practices" (the "**Corporate Governance Rule**") and National Policy 58-201 - "Corporate Governance Guidelines" which refers to sections of National Instrument 52-110 – "Audit Committees" (the "**Audit Committee Rule**"). Director independence for the Corporation's Audit Committee is determined in accordance with the Audit Committee Rule.

Of the nine members of the Board, eight are independent. Mr. Desjardins, President and Chief Executive Officer, is a non-independent director.

The Board of Directors has four standing committees, being the Audit Committee, the Governance and Nominating Committee, the Compensation Committee and the Health, Safety and Environment Committee, each of which are made up of independent directors with no relationship to management.

Additional information regarding the nominee directors, as well as the responsibilities and structure of the committees will be contained in the Corporation's information circular for its 2015 AGM.

As at February 19, 2015, the directors and executive officers of the Corporation as a group owned, directly or indirectly 873,730 Common Shares of Superior, representing approximately 0.7% of Superior's outstanding Common Shares. The number of Common Shares that each director beneficially owns, directly or indirectly, or exercises control or direction over, as at February 19, 2015, is included in the following table. The information as to the ownership or control or direction of Common Shares, not being within the knowledge of the Corporation, has been furnished by the directors individually.

Name, Province and Country of Residence	Director Since	Number of Common Shares	Principal Occupation
Catherine M. (Kay) Best <sup>(1)(4)</sup> Alberta, Canada	2007	7,000	Corporate director and Consultant. Ms. Best was Executive Vice-President, Risk Management and Chief Financial Officer of the Calgary Health Region from 2000 – 2008, and Executive Vice-President and Chief Financial Officer of Alberta Health Services until March 2009. Prior to that, Ms. Best was a partner with Ernst & Young, an accounting firm, in Calgary.
Eugene V.N. Bissell <sup>(1)(4)</sup> Pennsylvania, USA	May, 2014	8,572	From July 2000 to his retirement in March 2012, Mr. Bissell served as President, Chief Executive Officer and director of AmeriGas Propane LP, a Master Limited Partnership traded on the New York Stock Exchange and a subsidiary of UGI Corp, a distributor and marketer of energy products and services, including natural gas, propane, butane and electricity.
Luc Desjardins <sup>(5)</sup> Alberta, Canada	November, 2011	277,910	President and Chief Executive Officer of Superior since November 14, 2011. Prior to that, Mr. Desjardins was an operating partner of The Sterling Group LP, a private equity firm. He also served as President and Chief Executive Officer of Transcontinental Inc., a leading publisher of consumer magazines from 2004 to 2008 and as its President and Chief Operating Officer from 2000 to 2004. During his partnership with The Sterling Group LP, Mr. Desjardins was Executive Chairman of three enterprises involved in the distribution industry, as well as the energy products and services industry.
Robert J. Engbloom, Q.C. <sup>(2)</sup> Alberta, Canada	1996	17,353	Partner and former Deputy Chair of Norton Rose Fulbright Canada LLP, (formerly Macleod Dixon LLP) (law firm), and partner since 1999.
Randall J. Findlay <sup>(2)(4)(6)(7)</sup> Alberta, Canada	2007	20,000	Corporate director. From 2001 until 2006, Mr. Findlay was President of Provident Energy Ltd. (a diversified energy business).
Mary Jordan <sup>(2)(3)</sup> British Columbia, Canada	May, 2014	Nil	Corporate director. Ms. Jordan serves as Chair of the Board of the Vancouver International Airport Authority and as a director of Coast Capital Savings Credit Union (a provider of financial products and services) and as a director of Timberwest Forest Corp., Western Canada's largest private managed forest land owner. From 2006 to 2008, Ms. Jordan was Executive Vice-President, Human Resources & Internal Communications at Laidlaw International, Inc. (a provider of school, intercity bus and other transportation services). From 2003 to 2006, she held the position of Provincial Executive Director for the BC Centre for Disease Control. In addition, Ms. Jordan has spent more than 20 years in the airline industry, holding senior executive

Name, Province and Country of Residence	Director Since	Number of Common Shares	Principal Occupation
			positions with Air Canada, Canadian Airlines and American Airline, including terms as the President of several wholly owned regional carriers.
James S.A. MacDonald <sup>(1)(3)</sup> Ontario, Canada	2000 <sup>(8)</sup> (also, May 28, 1998 to Dec. 11, 1998)	177,664	Corporate Director. Prior thereto, Chairman and Managing Partner of Enterprise Capital Management Inc. ("ECMI")(investment management company).
Valentin (Val) Mirosh <sup>(3)(4)(7)</sup> Alberta, Canada	2007	8,000	Corporate director and President of Mircan Resources Ltd. (private investment and consulting company). Prior to December 2009, Vice President and Special Advisor to the President and Chief Operating Officer of NOVA Chemicals Corp.
David P. Smith <sup>(2)(9)</sup> Ontario, Canada	1998	29,403	Chairman of the Board of Superior since August 6, 2014 and Corporate Director. Prior thereto, Managing Partner of ECMI.

**Notes:**

- (1) Member of Audit Committee.
- (2) Member of Governance and Nominating Committee.
- (3) Member of Compensation Committee.
- (4) Member of the Health, Safety and Environment Committee.
- (5) Mr. Desjardins also owns \$500,000 principal amount of 6.5% Notes.
- (6) Mr. Findlay was a director of Wellpoint Systems Inc. ("Wellpoint"), (a TSX Venture Exchange listed company) from June 2008 to January 31, 2011. Wellpoint was placed into receivership by two of its lenders on January 31, 2011. Wellpoint was a company supplying software to the energy industry in Canada, the U.S. and internationally.
- (7) Messrs. Findlay and Mirosh also own \$150,000 and \$90,000 principal amount of Convertible Debentures of Superior, respectively.
- (8) Mr. MacDonald was the 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.
- (9) The Corporation does not have an Executive Committee.

**Executive Officers of Superior who are not Directors**

Name and Municipality of Residence	Principal Occupation
Wayne M. Bingham Calgary, Alberta	Executive Vice-President and Chief Financial Officer of Superior and its predecessor since November 1, 2006.
Ed Bechberger Mississauga, Ontario	President of Specialty Chemicals (ERCO Worldwide) since January 25, 2015. Mr. Bechberger joined ERCO Worldwide in 1980 and has held various executive positions, most recently that of Senior Vice-President of Operations.
Mike Farrell Colleyville, Texas	President of Construction Products Distribution since November 17, 2014. Prior thereto, from 2007 to 2013, President and CEO of Roofing Supply Group, LLC (RSG), the fourth largest wholesale one step distributor of roofing supplies in the United States.
Greg McCamus Branchton, Ontario	President of Energy Services, including Superior Propane since November 2012 and from June 2012 to November 2012, Interim President of Superior Propane and President of USRF and SEM. Prior thereto President of USRF since 2008 and President of SEM since 2005.
Shawn B. Vammen Calgary, Alberta	Senior Vice-President, Superior Gas Liquids since November, 2014. Mr. Vammen joined SGL in 2008 and has held various senior positions, most recently that of Vice-President, Supply and Marketing.



Name and Municipality of Residence	Principal Occupation
Darren Hribar Calgary, Alberta	Chief Legal Officer and General Counsel of Superior since February 9, 2015. Prior thereto, Partner at Norton Rose Fulbright Canada, LLP.
Keith Wrisley Canandaigua, New York	President of U.S. Refined Fuels since June, 2012 and since 2009 Director, U.S. Operations. Prior thereto President of KBW Enterprises LLC (a terminal construction project management company) since 2008.

## AUDIT COMMITTEE

### Composition and Qualifications

The Audit Committee consists of three directors, Ms. Best, Messrs. Bissell and MacDonald. Until May 7, 2014, the Audit Committee was comprised of Ms. Best, Messrs. Green and Smith (Chair). With the retirement of Mr. Green on May 7, 2014, Messrs. Bissell and MacDonald joined the Audit Committee. Effective August 6, 2014, with the appointment of Mr. Smith as Chairman of the Board, Mr. Smith left the Audit Committee as a member and Ms. Best was appointed as its Chair. Following the retirement of Mr. MacDonald at the 2015 AGM, another member of the Board will be appointed to the Audit Committee to fill the vacancy. All of these directors are “financially literate”, and “independent” within the meaning of the Audit Committee Rule. In considering criteria for the determination of financial literacy, the Board looks at the ability to read and understand a balance sheet, an income statement and a statement of cash flow of a public entity.

Ms. Best is a chartered accountant with over 30 years’ experience. Ms. Best is a corporate director and consultant. Previously, she served as Executive Vice-President, Risk Management and Chief Financial Officer for the Calgary and Alberta Health Region where she was responsible for all finance functions, including financial operations, budgeting, forecasting and planning, business support for operating and corporate portfolios, performance reporting, business planning and treasury management. Ms. Best was a chartered accountant at Ernst & Young, an accounting firm, for nineteen years, the last ten years as Corporate Audit Partner. In addition to a bachelor of interior design degree, she holds Chartered Accountant and Fellow Chartered Accountant designations.

Until his retirement in March 2012, Mr. Bissell served as President, Chief Executive Officer and director of AmeriGas, Propane LP, a master limited partnership traded on the New York Stock Exchange and a subsidiary of UGI Corp, a distributor and marketer of energy products and services, including natural gas, propane, butane and electricity. Mr. Bissell has over 13 years of public company board experience and a broad career experience gained over a period of more than 30 years in CEO and various other senior management positions in the propane and industrial gas sectors, including in areas of strategic planning, risk management, sales and operational management, corporate development, as well as large scale acquisition negotiation and integration. In addition to a B.A. degree, he holds a Masters of Business Administration degree.

Mr. MacDonald is a corporate director. Previously, he was Managing Partner of Enterprise Capital Management Inc., an investment management company. Mr. MacDonald has extensive investment banking and risk management experience and has served on the board of a number of public and private companies throughout his career. He also served as Deputy Chairman of Scotia McLeod Inc. with responsibilities for merger and acquisition advisory activities. In addition to a B.A.(Hons) degree, he holds a Masters of Business Administration degree.

## **Responsibilities and Terms of Reference**

The Audit Committee reviews with management and the external auditors, and recommends to the Board for approval, the annual and interim financial statements of the Corporation, the reports of the external auditors thereon and related financial reporting, including management's discussion and analysis and financial press releases. The Audit Committee assists the Board, in conjunction with the external auditors and management, with its review and oversight of audit plans and procedures and meets with the auditors independent of management at each quarterly meeting. The Audit Committee is responsible for reviewing and overseeing auditor independence, approving all non-audit services, reviewing and making recommendations to the Board on internal control procedures and management information systems. In addition, the committee is responsible for assessing and reporting to the Board on financial risk management positions and monitoring (a) the processes and compliance with respect to National Instrument 52-109 "Certification of Disclosure in Issuer's Annual and Interim Filings" requirements, (b) other accounting and finance based legal and regulatory compliance requirements, and (c) transactions or circumstances which could materially affect the financial profile of the Corporation. The complete text of the mandate of the Audit Committee is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on Superior's website at [www.superiorplus.com](http://www.superiorplus.com) and is incorporated by reference in this AIF.

## **Audit Fees**

Fees billed by Deloitte for the years ended December 31, 2014 and December 31, 2013 are detailed in the following table:

	<b>Year Ended December 31, 2014 (\$)</b>	<b>Year Ended December 31, 2013 (\$)</b>
Audit fees	<b>1,956,207</b>	1,734,890
Audit-related fees	<b>1,046,920</b>	172,825
All other fees	<b>449,827</b>	121,358
<b>Total fees</b>	<b>3,452,954<sup>(1)</sup></b>	2,029,073 <sup>(1)</sup>

### **Note:**

1. Reflects fees billed in fiscal year without taking into consideration the year to which these services relate.

Audit fees include fees for professional services rendered by the auditors for the audit and review of the Corporation's financial statements and Superior LP's annual financial statements or services provided in connection with statutory and regulatory filings. It also includes fees in connection with prospectus related services.

Audit-related fees include fees for one-time stand-alone audits of the SGL and CPD businesses, fees for services rendered in relation to performing the audit of, or reviewing financial statements, that were not part of audit fees such as attendance at quarterly audit meetings, pension plan audits and regulatory reviews.

All other fees: All permissible categories of non-audit services require approval from the Audit Committee. "All other fees" reported in the above table in respect to 2014 consist of fees related to IFRS technical updates and in respect to 2013 consist of fees paid to Deloitte in connection with French translation services.

## **RISK FACTORS**

### **General**

#### ***Cash Dividends to Shareholders are Dependent on the Performance of Superior LP***

Superior is entirely dependent upon the operations and assets of Superior LP. Superior's ability to make dividend payments to Shareholders 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.

There is no assurance regarding the amount of cash to be distributed by Superior LP or generated by Superior LP, and therefore, funds available for dividends to Shareholders. 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 Corporation. 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 dividends to Shareholders and such decrease could be material.

Superior's dividend policy and the distribution policy of Superior LP is subject to change at the discretion of the Board of Directors of Superior or the board of directors of the General Partner, as applicable. Superior's dividend policy and the distribution policy of Superior LP are also limited by contractual agreements including agreements with lenders to Superior and its affiliates and by restrictions under corporate law. See "Dividends" and "Long – Term Debt".

#### ***Access to Capital***

Superior's credit facilities, U.S. Notes and Senior Unsecured Notes 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 dividends/distributions in certain circumstances. These restrictions may preclude Superior LP from returning capital or making distributions on the limited partnership units. See "Long – Term Debt" for a description of the requirements contained in Superior's debt covenants.

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

To the extent that external sources of capital, including public and private markets, become limited or unavailable, Superior'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 facility and to repay other indebtedness may be impaired.

#### ***Interest Rates***

Superior maintains a substantial floating interest rate exposure through a combination of floating interest rate borrowings and the use of derivative instruments. Demand levels for a significant portion of Energy Services' sales and substantially all of Specialty Chemicals and CPD's sales are affected by general economic trends. Generally speaking, when the economy is strong, interest rates increase as does sales demand from Superior's customers, thereby increasing Superior's ability to pay higher interest costs and

vice versa. In this way, there is a common relationship between economic activity levels, interest rates and Superior's ability to pay higher or lower rates. However, higher interest rates can affect Superior's borrowing costs, which may have an adverse effect on Superior.

### ***Tax Reassessments***

The CRA has issued Notices of Reassessment challenging the tax consequences of the Conversion based on the acquisition of control rules and the general anti-avoidance rules in the Tax Act. Superior has filed Notices of Objection and Notices of Appeal and is currently involved in legal proceedings with the Tax Court of Canada and the outcome of this litigation cannot be predicted with certainty. The Notices of Reassessment are disallowing \$1.6 billion of tax pools. Superior remains confident in the appropriateness of its tax filing position and the expected tax consequences of the Conversion and intends to vigorously defend such position. If Superior receives a positive decision, then any taxes, interest and penalties paid to the CRA will be refunded plus interest. If Superior is unsuccessful, then any remaining taxes payable plus interest and penalties will have to be remitted. See "General Development of Superior – Receipt of Reassessments from CRA".

### ***Operating Risks and Insurance Coverage***

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

### ***Litigation and Fines***

Superior LP and its subsidiaries are currently involved in certain legal proceedings and although management of Superior does not believe that an adverse decision in any such proceedings would have a material adverse effect on the financial condition of Superior, the outcome of litigation cannot be predicted with certainty. In addition, Superior has significant operations in Canada, the United States and Chile and, as a result, may be exposed to litigation or legal proceedings in such jurisdictions. A significant judgment against Superior or any of its subsidiaries, or the imposition of a significant fine or penalty, as a result of a finding that Superior or any of its subsidiaries has failed to comply with laws or regulations could have an adverse effect on Superior.

### ***Third Party Credit and Commitment Risk and Reliance on Key Customers***

Superior contracts with numerous third parties, some of which represent a significant source of revenue and others which are important suppliers to Superior. In particular, CNRL, Plains Midstream Canada, Shell Canada Limited, Spectra Energy Empress LP, Bruce Power L.P., by its general partner, Bruce Power Inc., Marcquarie Cook Energy Canada Ltd., Philadelphia Energy Solutions, TransCanada Energy Ltd., PotashCorp., CMPC Celulosa S.A., Armstrong World Industries, and CGC Inc., a USG company. As a result, if such third parties fail to fulfill their commitments, meet their contractual obligations or are otherwise unable to perform as expected regardless of whether such actions would constitute a breach of contract to Superior, despite the fact that Superior takes steps to mitigate these risks, such failures could have a material adverse effect on the business, financial condition or operations of Superior.

### ***Collections from Customers***

Superior's operating segments are dependent in part on the viability of its customers for collections of trade accounts receivable and notes receivable. Superior cannot assure that its customers will not experience financial difficulties in the future or that it will be able to collect all of its trade accounts receivable or notes receivable.

### ***Recent Acquisitions***

Pursuant to the terms of the agreements providing for the purchase of assets or businesses, Superior has been and will continue to be provided with certain representations, warranties and indemnities from the respective vendors subject to certain applicable limitations and thresholds and will conduct due diligence prior to completion of such acquisitions. However, if such representations and warranties are inaccurate or limited in applicability or if any liabilities that are discovered exceed such limits or are not covered by the representations, warranties or indemnities, or the applicable vendors default in their obligations or if certain liabilities are not identified in such agreements, Superior could become liable for any such liabilities which may have an adverse effect on Superior. In addition, there may be liabilities or risks that were not discovered in such due diligence investigations which could have an adverse effect on Superior.

### ***Foreign Exchange Risk***

A portion of Superior's net cash flows are denominated in U.S. dollars. Accordingly, fluctuations in the Canadian/United States dollar exchange rate can impact profitability. Superior attempts to mitigate the short and medium-term impact of this risk by hedging.

### ***Changes in Legislation and Expected Tax Profile***

There can be no assurances that income tax laws in the numerous jurisdictions in which Superior operates will not be changed, interpreted or administered in a manner which adversely affects Superior and its Shareholders. In addition, there can be no assurance that the CRA (or a provincial tax agency), U.S. Internal Revenue Service (or a state or local tax agency), or the Chilean Internal Revenue Service (collectively the "**Tax Agencies**") will agree with how Superior calculates its income for tax purposes or that the various Tax Agencies will not change their administrative practices to the detriment of Superior or its Shareholders.

### ***Dependence on Personnel***

The success of Superior and its operating segments has been largely dependent on the skills and expertise of its employees. The failure to attract and retain a sufficient number of qualified professionals and support staff could also have an adverse effect on Superior's profitability. Such shortages may result in the inability of Superior to accept new customers or to meet existing customer obligations. It would also be expected to result in an escalation of compensation levels of its employees which Superior may not be successful in offsetting. The continued success of Superior will be dependent upon its ability to retain the services of such personnel, as well as experienced management, and recruit and retain other key employees for its business.

### ***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.

### ***Forward-Looking Information May Prove Inaccurate***

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

### ***Ballard Operational Risks***

The Fund has, through the contractual provisions in the agreements implementing the Conversion, including the Indemnity Agreement, and through securing certain insurance coverage, attempted to ensure that the liabilities and obligations relating to the business of Ballard are transferred to and assumed by New Ballard, that Superior is released from any such obligations and, even where such transfer or release is not effective or is not obtained, Superior is indemnified by New Ballard for all such obligations. However, in the event New Ballard fails or is unable to meet such contractual obligations to Superior, Superior could be exposed to liabilities and risks associated with the operations of Ballard which include, without limitation, risks relating to claims with respect to intellectual property matters, product liability or environmental damages.

### ***Additional Shares***

If the Board of Directors of the Corporation decides to issue additional Common Shares, preferred shares or securities convertible into Common Shares, existing Shareholders may suffer significant dilution.

### ***Limited Liability***

Superior 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, Superior'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 Superior could lose its limited liability in connection with its investment in Superior LP. For example, if Superior were to directly assume active management of Superior LP, its limited liability would be jeopardized.

### **Energy Services**

#### **Superior Propane, USRF and SGL**

##### ***Competition***

Propane is sold in competition with other energy sources such as fuel oil, electricity and natural gas, some of which are less costly on an energy equivalent basis. While propane is usually more cost effective than electricity, electricity is a major competitor in most areas. Fuel oil is also used as a residential, commercial and industrial source of heat and, in general, is less costly on an equivalent energy basis, although operating efficiencies, 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 has experienced recent growth as lower propane prices have enhanced propane's competitiveness in certain cases. Superior Propane has strategic partnerships with companies focused on after-market conversion technologies. This segment has been impacted by 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.

Although Superior Propane is the largest provider of propane in Canada, it faces intense competition in each region of the country where it carries on business from a variety of competitors. In addition to competition from other energy sources, Superior Propane competes with approximately 200 other retail marketers. Propane retailing is a local, relationship-based business, in which propane competes for market share based on price and level of service. The industry is mature, with limited growth potential and barriers to entry are relatively low. Superior Propane's ability to remain an industry leader depends on its ability to provide reliable service at competitive selling prices. There can be no assurance that Superior Propane will be able to compete successfully against its current or future competitors or that competition will not have a material adverse effect on Superior's results of operations and financial condition, and on the amount of cash available for dividends to Shareholders.

Competition in USRF's business markets generally occurs on a local basis between large full service, multi-state marketers and smaller local independent marketers. Marketers primarily compete based upon price and service and tend to operate in close proximity to customers, typically within a 35-mile marketing radius from a central depot, to lower delivery costs and provide prompt service.

Among USRF's largest competitors, pricing tends to be competitive and generally based upon a reasonable markup of overall cost of fuel, delivery, and service. USRF is well positioned to compete with these corporations given its volume, terminal and bulk storage facilities, and attractive customer density footprint. USRF is also well positioned to compete with its other smaller regional and local suppliers, who generally have fewer than 3,000 residential customers and do not have sufficient volume or infrastructure to achieve the cost efficiencies that USRF is able to achieve.

Competition also arises from suppliers of alternative sources of energy, such as natural gas. The rate of conversion from the use of home heating oil is primarily affected by the viability of natural gas, fuel prices, and the cost of replacing the home's existing oil-fired heating system.

### ***Volume Variability, Weather Conditions and Economic Demand***

Historically, overall propane demand from non-automotive end-use applications has been stable. However, weather, general economic conditions and the volatility in the cost of propane affect propane market volumes. Weather influences the demand for propane primarily for home and facility heating uses and also for agricultural applications, such as crop drying. Approximately 63% of Superior Propane's annual portable fuel volume is distributed during the October to March winter heating season. Superior Propane offers customers fixed-price contracts throughout the year, supported by purchasing arrangements with SGL. Volatility in the cost of propane influences demand for propane as high prices erode demand for propane and customers undertake conservation or energy efficient actions, or seek lower cost energy alternatives.

Harsh weather can create conditions that exacerbate demand for propane, impede the transportation and delivery of propane, or restrict the ability for Superior Propane to obtain propane from its suppliers. Such conditions may also increase Superior Propane's operating costs and may reduce customers' demand for propane, any of which may have an adverse effect on Superior Propane.

Due to the nature of SGL's supply arrangements, storage contracts and available hedging strategies, in periods of declining prices and low demand, SGL may be faced with a mismatch in the timing of inventory sales and prevailing market prices.

For USRF, demand from end-use heating applications is predictable. However, weather and general economic conditions affect distillates market volumes. Weather influences the immediate demand for distillates, primarily for heating, while longer-term demand declines due to economic conditions as customers trend towards conservation and supplement heating with alternative sources such as wood pellets.

### ***Demand, Supply and Pricing***

Propane represents approximately 2% of the overall Canadian energy market and is used in a wide range of applications, including residential, commercial, industrial, agricultural and automotive uses. Demand for traditional propane end-use applications is increasing marginally with general economic growth. However, increases in the cost of propane encourage customers to reduce fuel consumption and to invest in more energy efficient equipment, reducing demand. Automotive propane demand is presently experiencing growth after a period of stabilizing after several years of decline at 10-15% a year. A declining trend could return depending upon propane pricing and the market acceptance of propane conversion options and the availability of infrastructure.

SGL's supply is currently purchased from approximately 20 propane producers and suppliers in Canada and the United States. If SGL was not able to obtain the required supply from such producers, it could have an adverse effect on its and Superior Propane's business. The retail propane business is a "margin-based" business where the level of profitability is largely dependent on the difference between retail sales prices and wholesale product costs. Changes in propane supply costs are normally passed through to customers. Delays in passing on supply costs to customers can have an adverse effect on profitability.

Approximately five million households or roughly 25% use distillate fuel oil as their main space heating fuel located in the north-eastern United States. Heating oil is a low viscosity, flammable, liquid petroleum product produced at crude oil refineries as a part of the distillate fuel oil product family. Residential space heating is the primary use for heating oil, making the demand highly seasonal. Based on the latest available data, residential customers in the north-eastern United States consumed over 3.1 billion gallons of heating oil.

The north-eastern United States has traditionally relied on heating oil as a household fuel source, but demand has gradually declined over the past 20 years as propane and natural gas fuels have become more readily available. While heating oil no longer maintains an appreciable share of new home construction, turnover on existing homes is slow due to the cost requirements to switch. USRF experiences a 6% - 7% decline in its heating oil customers annually. This is partially impacted by the decline in demand for heating oil in the north-eastern United States which is declining at a modest rate of 3.7%. USRF is a "margin-based" business where the level of profitability is largely dependent on the difference between retail sales prices and wholesale product costs. Changes in supply costs are normally passed through to customers, but timing lags may result in positive or negative gross margin fluctuations.

SGL sources its fixed-price term propane sales commitments by entering into various physical propane purchase and sale contracts for similar terms and volumes to create an effective fixed-price cost of supply. SGL transacts with approximately 20 propane counterparties. There can be no assurance that any of these counterparties will not default on any of its obligations to SGL requiring SGL to find another source to meet its supply commitment and, any such default, could have a material adverse effect on Superior. However, the financial condition of each counterparty is evaluated and credit limits are established in an effort to minimize SGL's exposure to this risk.



## ***Transportation***

Spikes in demand caused by weather or other factors can stress the supply chain, disrupt transportation and hamper Superior's ability to obtain additional quantities of propane. Transportation providers (rail and truck) in some circumstances have limited ability to provide additional resources in times of extreme peak demand.

## ***Health, Safety and Environment***

Slight quantities of propane may be released during transfer operations. The storage and transfer of propane has limited impact on soil or water given that a release of propane will disperse into the atmosphere. In the event of a liquid propane leak, a large quantity of propane gas is produced in very little time and is extremely flammable when exposed to an ignition source. If propane is ignited, it can result in an explosion or fire, which can cause death or injury to people and damage to property or the environment. In addition, as propane gas is denser than air, a leak will form a dense cloud, follow the contours of the terrain and settle into lower elevations before dissipating. To mitigate risks, Superior Propane has established a comprehensive program directed at environmental, health and safety protection. This program consists of an environmental policy, codes of practice, periodic self-audits, employee training, quarterly and annual reporting and emergency prevention and response.

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

In Canada, Federal and Provincial regulators responsible for the safe handling of hazardous materials continue to review, revise and implement new safety standards to enhance the safety of the public. New safety standards have the potential for a significant cost to implement and maintain. However, the cost and timing to comply with any new or proposed changes is unknown at this time.

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

USRF safety practices and regulatory compliance are an important part of its business, which is managed through a centralized safety and environment management system. The storage and delivery of refined fuels poses the potential for spills which impact the soils and water of storage facilities and customer properties. USRF operated bulk storage areas and loading/unloading points have secondary containment to prevent spills from reaching soil or ground water. Customer locations are inspected by drivers and technicians during visits to identify potential release hazards and necessary corrections are performed before product is delivered. A release that could impact soil or ground water is required to be reported to the appropriate government agencies; clean-up operations are conducted by internal and third party technicians. USRF's commodities create Greenhouse gases. The regulatory landscape related to Greenhouse gases could change based on ongoing discussions in various political and environmental forums.

## ***Employee and Labour Relations***

As of December 31, 2014, approximately 273 or 19% of Superior Propane's employees are unionized through three provincial or regional certifications in British Columbia, Yukon and Quebec. Expiry dates range from December 31, 2016 to April 30, 2018. While labour disruptions are not expected, there is

always risk associated with the collective agreement negotiation process that could have an adverse impact on Superior.

As of December 31, 2014, approximately 60 or 6% of USRF's employees are unionized. One of the union agreements expires on March 31, 2015 and the other expires on May 29, 2015. Currently, the International Brotherhood of Teamsters (Seymour and Milford, CT) is in the process of negotiating a collective bargaining agreement for delivery drivers and service technicians. The Sheet Metal Workers International Association (McKee Road location in Rochester, NY) is also in the process of negotiating a collective bargaining agreement for service technicians. If USRF is unable to renegotiate such collective bargaining agreements, it could result in an adverse impact on Superior.

### ***Fixed-Price Offerings***

Superior Propane offers its customers various fixed-price propane programs. In order to mitigate the price risk from offering these services, Superior Propane, through SGL, uses either its physical inventory positions or forward commodity transactions with various third parties having terms and volumes substantially the same as its customers' contracts. In periods of high propane price volatility the fixed-price programs create exposure to over or under supply positions as the demand from customers may significantly exceed or fall short of supply procured. In addition, if propane prices decline significantly subsequent to customers signing up for a fixed-price program there is a risk that customers will default on their commitments. Fixed-price offerings make up 12.5% of Superior Propane's delivered volumes. See Note 29 to the Financial Statements for fixed-price propane purchase and sale commitment amounts.

USRF offers its customers some limited fixed-price and capped-price programs. In order to mitigate the price risk from offering these services, USRF uses call options, physical positions, supplemented by forward commodity transactions with various third parties having terms and volumes substantially the same as its customers' contracts. In periods of high commodity prices volatility in the fixed-price programs create exposure to over or under supply positions as the demand from customers may significantly exceed or fall short of supply procured. In addition, if commodity prices decline significantly subsequent to customers signing up for a fixed-price program there is a risk that customers will default on their commitments. Fixed-price offerings make up under 7% of the USRF's flowing volumes. See Note 29 to the Financial Statements for refined fuel purchase and sale commitment amounts.

SGL primarily purchases and sells propane, as well as butane and other refined fuel products to meet its estimated commitments to its wholesale customers based upon, among other things, the historical consumption of propane of its customers. Depending on a number of factors, including weather, pricing, customer attrition and economic conditions, customer consumption may vary from the volume purchased. This variance may require SGL to purchase or sell its products at market prices which may have a material adverse effect on the financial results of Superior. To mitigate potential balancing risk, SGL closely monitors its balancing position and leases storage facilities to secure supply for its customers, in an effort to minimize imbalances.

### ***Regulatory Environment and Legislative Change***

Superior Propane and USRF are subject to extensive federal, state and local laws and regulations, including those relating to the protection of the environment, waste management, discharge of hazardous materials and the characteristics and composition of refined products. Certain of these laws and regulations may also require assessment or remediation efforts at USRF's facilities and at third party sites. Environmental laws applicable to Superior Propane and USRF are subject to frequent change and often become more stringent over time. Compliance with current and future environmental laws and regulations may require significant expenditures, increasing the overall cost of operating the business.

Failure to comply with these laws and regulations could also result in substantial fines or penalties against Superior or orders that could limit its operations and have an adverse effect on Superior.

USRF is based and operates in the United States and Canada and, as a result, such operations could be affected by changes to laws, rules or policies which may either be more favourable to competing energy sources or increased costs or otherwise negatively affect the operations of USRF in comparison to such competing energy sources; such changes could have an adverse effect on Superior.

## **Superior Energy Management**

### ***Competition***

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

### ***Fixed-Price Offering***

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

*Power Fixed-Price Offerings.* SEM manages its customers estimated electricity requirements by entering into electricity transactions with approved counterparties. Depending on several factors, including weather, customer's energy consumption may vary from the volumes purchased by SEM. SEM is able to invoice existing commercial electricity customers for balancing charges when the amount of energy used is greater than or less than the tolerance levels set initially. In certain circumstances, there can be balancing issues for which SEM is responsible when customer aggregation forecasts are not realized.

### ***Supply and Third Party Credit***

SEM manages its natural gas and electricity sales commitments by entering into various physical and financial natural gas, electricity and foreign exchange purchase contracts (as required) for similar terms and volumes to create an effective cost of supply. SEM transacts with nine 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 SEM. However, the financial condition of each counterparty is evaluated and credit limits are established to minimize SEM'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 SEM's risk management policy.

### ***Dependence on Sales Agents***

SEM must retain qualified sales agents in order to properly execute its business strategy. The continued growth of SEM is reliant on the services of agents to sign up new customers. There can be no assurance

that competitive conditions will allow these agents to achieve these customer additions. Lack of success in the marketing programs of SEM would limit future growth of cash flow.

### ***Regulatory***

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

### **Specialty Chemicals**

#### ***Competition***

ERCO, one of four global sodium chlorate companies, competes with Eka, Kemira and Canexus on a worldwide basis. The business also competes with a number of smaller regional producers. Key competitive factors include price, product quality, logistics capability, reliability of supply, and technical capability and service. Of the global producers, Kemira and Canexus do not provide chlorine dioxide generators or related technology. The business also competes with chloralkali producers, such as Dow Chemical Company, Occidental Chemical Corporation, Georgia Gulf Corporation and Olin Corporation, as well as Canexus in North Vancouver.

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

#### ***Manufacturing and Production***

ERCO's production facilities maintain complex process and electrical equipment. The facilities have existed for many years and undergone upgrades and improvements over time. Routine maintenance is regularly completed to ensure equipment is operated within appropriate engineering and technical requirements. Notwithstanding ERCO's operating standards and history of limited downtime, breakdown of electrical transformer or rectifier equipment would temporarily reduce production capacity at the affected facility. Although insurance coverage exists to mitigate substantial loss due to equipment outage, ERCO's reputation and its ability to meet customer requirements could be negatively affected due to a major electrical equipment failure. ERCO does not directly operate or control Tronox's Hamilton, Mississippi sodium chlorate facility. A major production outage or unplanned downtime could negatively affect ERCO's reputation and its ability to meet customer requirements. Capital expenditures may be required to repair, modernize or address other issues at ERCO's facilities. Any unexpected requirement of large capital expenditures could have a material adverse effect on Superior's liquidity and financial condition.

## ***Supply Arrangements***

ERCO uses four primary raw materials to produce its chemical products: electricity, salt, potash and water. Electricity comprises 70% to 85% of variable production costs for sodium chlorate. Sodium-based chloralkali variable production costs include electricity costs which approximate 45% to 55% of the total, while potassium-based chloralkali products have a significant portion of the variable production cost attributed to KCl and therefore electricity costs approximate 10% to 15% of the total. The business has long-term contracts or contracts that renew automatically with power producers in each of the jurisdictions in which its plants are located. These contracts generally provide ERCO with some portion of firm power supply and a portion that may be interrupted by the producer based on the terms of the various agreements. The business can reduce its power consumption quickly and at minimal cost, which allows it, in some jurisdictions, to reduce its overall power costs by selling ancillary services back to the power producer or to the power grid. In jurisdictions where electrical costs are deregulated, fixed-price term supply contracts are entered into in order to manage production costs. Approximately 10% of ERCO's annual power requirements are located in deregulated electricity jurisdictions, of which 100% has been sourced through fixed-price electrical contracts, for remaining terms up to nine years. See "Superior LP's Operations – Specialty Chemicals – Supply Arrangements".

Electricity for ERCO's Chilean facility is supplied from CMPC and is supplied as part of ERCO's long-term sodium chlorate supply agreement with CMPC. See Note 21 to the Financial Statements for a summary of ERCO's fixed-price electricity commitments.

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

KCl is a major raw material used in the production of potassium hydroxide at ERCO's Port Edwards Wisconsin facility. Substantially all of ERCO's KCl is received from PCS. PCS operates two KCl mines that are able to provide the product specifications required by ERCO. ERCO currently has a limited ability to source KCl from additional suppliers. In the event of a KCl supply interruption, ERCO's Port Edwards facility is able to switch production to the sodium molecule from the potassium molecule. The ability to switch between sodium and potassium significantly reduces the risks associated with a single point of supply for KCl.

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

## ***Regulatory***

ERCO's operations and activities in various jurisdictions require regulatory approvals for the handling, production, transportation and disposal of chemical products and waste substances. Environmental laws applicable to ERCO are subject to frequent change and often become more stringent over time. Compliance with current and future environmental laws and regulations may require significant expenditures, increasing the overall cost of operating the business. Failure to obtain or fully comply with

these laws and regulations could also result in substantial fines or penalties against ERCO or orders that could limit its operations and have an adverse effect on ERCO.

### ***Health, Safety and Environment***

The operations of ERCO are subject to the risks normally incident to the handling, production, transportation and disposal of chemical products. ERCO'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 from a facility or transportation equipment. ERCO maintains management systems and practices to closely monitor health, safety and environmental aspects of its operations. 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.

### ***Foreign Currency Exchange***

ERCO's exposure to fluctuations in foreign currency exchange rates is expected to be approximately US\$150 million to US\$170 million in 2015, and consists of US denominated net revenue from Canadian operations and the net cash flow generated from operations in the United States and Chile. ERCO manages its exposure to fluctuations between the United States and Canadian dollar by entering into hedge contracts with external third parties and internally with other Superior businesses.

### ***Employee and Labour Relations***

As at December 31, 2014, 28% of ERCO's employees at four plants in Vancouver, Saskatoon, Buckingham and Mininco, Chile are subject to collective bargaining agreements. Expiry dates for the locations range from September 30, 2016 to November 30, 2018. Collective bargaining agreements are renegotiated in the normal course of business. If Superior is unable to renegotiate such collective bargaining agreements, it could result in an adverse effect on these operations.

### ***Intellectual Property***

ERCO's chlorine dioxide generators and the related technology are protected by patents and patent applications. Over time, patents expire and, as ERCO employs new technology, new patent applications are made and in certain cases new patents are obtained protecting such technology. However, in the case of expired patent applications that are not granted, or comparable technology owned and patented by competitors, ERCO may not have the exclusive right to use the subject of the patent; such technology may be available to be utilized by a competitor which could have an adverse effect on Superior.

### **Construction Products Distribution**

Activity in the CPD business is subject to changes in the level of general economic activity and in particular to the level of activity in residential and non-residential construction subsectors. New construction in residential markets is subject to such factors as household income, employment levels, customer confidence, population changes and the supply of residential units in any local area. Residential renovation is also sensitive to these factors but can provide some balance in the demand for residential construction product distribution.

Non-residential activity can be subdivided into commercial, industrial and institutional. New construction activity in these sectors is subject to overall GDP and many of the same general economic factors as for residential activity. In the industrial and institutional subsectors, government and regulatory programs can also have a significant impact on the outlook for product usage, particularly as related to the

insulation businesses. As a result, changes to the level of general economic activity or any of the above mentioned factors that affect the amount of construction or renovation in residential and non-residential markets, can have an impact on the CPD business and Superior.

### ***Competition***

The North American GSD business is estimated to generate annual sales revenues of \$20 billion. Specialty distributors, such as CPD, service the builder/contractor market, traditionally representing 50% to 60% of total industry revenues. The remainder of industry revenues is earned through big-box home centres and independent lumber yards, which service the "do-it-yourself" market, as well as direct sales to modular home manufacturers.

The GSD sector is fragmented with the top six competitors representing an estimated 22% of overall North American industry revenues. The specialty walls and ceilings distribution business is a local, relationship-based business in which distributors compete on the basis of price and service. Barriers to entry are relatively low, but the multi-location distribution network, strong market position, purchasing scale, product line breadth and product and customer knowledge, all provide the business with a competitive advantage over smaller competitors.

The C&I market is estimated at US\$2.5 billion in 2014. It is estimated that slightly more than 80% of manufacturers' sales to end-users and contractors are through distributors, with the balance sold to contractors or end users.

### ***Demand, Supply and Pricing***

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

During periods of reduced overall demand for the CPD's products and services, market prices can become depressed as manufacturing suppliers seek to maintain capacity utilization, and specialty distribution competitors can seek to protect business levels and cover fixed costs through price competition.

The business carries a comprehensive product line comprised of approximately 63,000 stock-keeping units. Its six principal product lines include products that are sourced from over 2,200 suppliers. The business is not reliant on any one supplier to source product within its principal product lines. The division purchases its products pursuant to various purchasing programs and does not enter into long-term purchase contracts.

Demand for walls and ceilings building materials is affected by changes in general and local economic factors including GDP, demographic trends, employment levels, interest rates, consumer confidence and overall economic growth. These factors in turn impact the level of existing housing sales, new home construction, new non-residential construction, and office/commercial space turnover. Housing starts reflect the level of new residential construction activity. The level of new commercial construction activity has historically lagged new residential activity as commercial infrastructure is put in place to service residential development. Renovation activity trends have historically followed existing home re-sales and turnover of occupants in commercial building space.

In the C&I market, demand is driven largely by construction spending and economic growth. Sectors within the C&I market that particularly influence demand include: commercial construction and

renovation, the construction, maintenance and expansion of industrial process facilities (i.e. oil refineries, petrochemical plants and power generation facilities) and institutional facilities (i.e. government, healthcare and education).

### ***Foreign Currency Exchange***

CPD derives approximately two thirds of its earnings from the United States, which is subject to fluctuations in the Canadian/U.S. dollar exchange rate. CPD manages this exposure by entering into hedge contracts with external parties and internally with other Superior businesses. Also, CPD's Canadian operations purchase some product denominated in U.S. dollars, but the foreign currency risk is not material and is not hedged.

### ***Information Technology System Integration***

In late 2013, CPD initiated a system integration project to fully integrate its C&I and GSD ERP systems. The project was suspended in February 2014, pending the outcome of its strategic review, and will recommence early 2015 consisting of realigning the management structure along business segments, adopting best practice common business processes, and integrating all operations onto a single ERP system. Business process development in preparation of the implementation is underway. The project is expected to take approximately two years.

Upon full commencement of the project, the scoping, requirements definition, business process definition, design, and testing of the integrated ERP system could take approximately one year with the branch conversions taking place the following year. Implementation problems could result in disruption to the business and/or inaccurate information for management and financial reporting. Risk will be mitigated by extensive testing and regionally phased implementation.

### ***Health, Safety and Environment***

The distribution of walls and ceilings and C&I products involves risks, including the failure or substandard performance of equipment, human error, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. Operations are also subject to various hazards incidental to the handling, processing, storage and transportation of certain hazardous materials, including industrial chemicals. These hazards can result in personal injury including fatalities, damage to and destruction of property and equipment and environmental damage. There can be no assurance that as a result of past or future operations, there will not be claims of injury by employees or members of the public due to exposure, or alleged exposure, to these materials. There can be no assurance as to the actual amount of these liabilities or the timing of them, if any. The business maintains safe working practices through proper procedures and direction and utilization of equipment, including forklifts, boom trucks, fabrication equipment and carts/dollies. The business handles and stores a variety of construction materials and maintains appropriate material handling compliance programs in accordance with local, state/provincial and federal regulations.

### ***Employee and Labour Relations***

As at December 31, 2014, the CPD business had 66 (5%) of its employees unionized at six locations. Collective bargaining agreements have expiry dates ranging from 2015 to 2017. Collective bargaining agreements are renegotiated in the normal course of business. If CPD is unable to renegotiate such collective bargaining agreements, it could result in an adverse effect on Superior.



## **CONFLICT OF INTEREST**

Circumstances may arise where directors and officers of the Corporation are directors, officers of, or have similar responsibilities and roles in, other entities which may be in competition with the interests of the Corporation and, as a result, conflicts of interest may arise. No assurances can be given that opportunities identified by such directors or officers will be provided to the Corporation. Pursuant to the CBCA, directors who have an interest in a proposed transaction upon which the Board is voting are required to disclose their interest and refrain from voting on the transaction. Any such conflicts shall be resolved in accordance with the procedures and requirements of the relevant provisions of the CBCA, including the duty of such directors and officers to act honestly and in good faith with a view to the best interests of the Corporation.

## **LEGAL PROCEEDINGS**

Superior and Superior LP and Regulatory Actions are sometimes named as defendants in litigation. The nature of these claims is usually related to settlement of normal operational or labor issues. The outcome of such claims against Superior are not determinable at this time; however, other than discussed in this AIF, they are not expected to have a materially adverse effect on Superior as a whole. Superior is not, and has not been at any time within the most recently completed financial year, a party to any legal proceedings, known or contemplated, where the damages involved, excluding interest and costs, exceed 10% of Superior's current assets. See "Risk Factors – General - Tax Reassessments".

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

Other than as discussed in this AIF, there are no material interests, direct or indirect, of directors, executive officers, senior officers, any direct or indirect Shareholder of Superior who beneficially owns, or who exercises control over, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect Superior.

## **TRANSFER AGENT AND REGISTRAR**

Superior's transfer agent and registrar for all its publicly listed securities is Computershare at its principal offices in the cities of Montreal, Toronto, Calgary and Vancouver in Canada.

## **EXPERTS**

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

## **MATERIAL CONTRACTS**

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

- Amended and Restated Limited Partnership Agreement dated December 31, 2008 between Superior Plus Corp. and Superior Plus Inc.;
- the Indemnity Agreement dated December 31, 2008 between Superior and New Ballard;

- Amended and Restated Credit Agreement dated as of June 23, 2010, as amended June 20, 2011, March 28, 2012, June 10, 2013; June 20, 2014 and November 26, 2014;
- the Indenture;
- the 6.5% Note Indenture;
- Shareholder Rights Plan; and
- U.S. Note Agreement.

For details on these contracts, see "Corporate Structure – The General Partner", "General Development of Superior – Three Year History", and "Long – Term Debt".

## **DOCUMENTS INCORPORATED BY REFERENCE**

Documents incorporated by reference in this AIF can be found on SEDAR under Superior's profile at [www.sedar.com](http://www.sedar.com).

## **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Superior's 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 Superior dated February 24, 2014. Additional information will be provided in Superior's Information Circular which relates to the Annual Meeting of Shareholders scheduled to be held on May 1, 2015. Also, additional financial information is included in the Financial Statements and MD&A, which are included in the 2014 Annual Report as filed with the applicable Canadian regulatory authorities. These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com) and may also be obtained without charge by writing to Superior's Vice-President, Investor Relations and Treasurer, Jay Bachman at Suite 1400, 840 – 7 Avenue S.W., Calgary, Alberta, T2P 3G2.



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