



CHEMTRADE
LOGISTICS
INCOME FUND

Suite 300, 155 Gordon Baker Road
Toronto, Ontario M2H 3N5

ANNUAL INFORMATION FORM
for the year ended December 31, 2014

March 5, 2015

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CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain information contained in this Annual Information Form (“AIF”) constitutes forward-looking information within the meaning of certain securities laws, including the *Securities Act* (Ontario). Forward-looking statements can be generally identified by the use of words such as “anticipate”, “continue”, “estimate”, “expect”, “expected”, “intend”, “may”, “will”, “project”, “plan”, “should”, “believe” and similar expressions. Specifically, forward-looking statements in this AIF include statements respecting certain future expectations about: the ability of Chemtrade to access tax losses and tax attributes; available tax deductions; material compliance with legal and regulatory environmental requirements and the cost in connection therewith; the timing and ability to achieve certifications; the nature, timing and ability to implement certain remedial and corrective actions relating to environmental or regulatory issues; and the impact and timing of Vale’s reduction in sulphuric acid production. Forward-looking information in this AIF describes the expectations of Chemtrade as of the date hereof. This information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information for a variety of reasons, including without limitation the risks and uncertainties detailed under the “RISK FACTORS” section of this AIF and the “RISKS AND UNCERTAINTIES” section of Chemtrade’s most recent Management’s Discussion & Analysis.

Although Chemtrade believes the expectations reflected in the forward-looking information and the assumptions upon which they are based are reasonable, no assurance can be given that actual results will be consistent with such forward-looking information, and it should not be unduly relied upon. With respect to the forward-looking information contained in this AIF, Chemtrade has made assumptions regarding: there being no significant disruptions affecting the operations of Chemtrade, whether due to labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment or otherwise; the ability of Chemtrade to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out its activities and at prices consistent with current levels or in line with Chemtrade’s expectations; the timely receipt of required regulatory approvals; the cost of regulatory and environmental compliance being consistent with current levels or in line with Chemtrade’s expectations; the ability of Chemtrade to successfully access tax losses and tax attributes; the ability of Chemtrade to obtain financing on acceptable terms; currency, exchange and interest rates being consistent with current levels or in line with Chemtrade’s expectations; and global economic performance.

Readers are cautioned that the foregoing list of factors and risks is not exhaustive. The forward-looking information contained in this AIF is expressly qualified in its entirety by this cautionary statement. Chemtrade does not undertake any obligation or intend to publicly update or revise any forward-looking information even if new information becomes available, as a result of future events or for any other reason, except as required under applicable securities laws, and does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

CHEMTRADE LOGISTICS INCOME FUND
ANNUAL INFORMATION FORM
for the year ended December 31, 2014

March 5, 2015

I. CORPORATE STRUCTURE

1. Chemtrade Logistics Income Fund

Chemtrade Logistics Income Fund (the “**Fund**”) is a limited purpose trust established on July 11, 2001 under the laws of the Province of Ontario and is governed by an Amended and Restated Declaration of Trust dated May 27, 2004, as amended by the First Supplemental Declaration of Trust dated August 2, 2005 and the Second Supplemental Declaration of Trust dated March 6, 2012 (the “**Declaration of Trust**”). The Fund’s income is derived from its operating subsidiaries, of which the Fund holds, directly or indirectly, all of the participating equity (the “**Shares**”) and, in the case of certain subsidiaries, unsecured subordinated notes (the “**Notes**”). Distributions to the unitholders of the Fund (the “**Unitholders**”) are entirely dependent on the cash flow of the Fund’s operating subsidiaries (all of the Fund’s subsidiaries collectively, “**Chemtrade**”). The registered and head office of the Fund is located at 155 Gordon Baker Road, Suite 300, Toronto, Ontario, M2H 3N5.

As of March 4, 2015, there are 68,594,504 units of the Fund (“**Units**”) issued and outstanding as well as \$36.6 million principal amount of 6.0% convertible unsecured subordinated debentures due March 31, 2017 (the “**2010 Debentures**”), \$79.7 million principal amount of 5.75% convertible unsecured subordinated debentures due December 31, 2018 (the “**2011 Debentures**”), and \$126.5 million principal amount of 5.25% convertible unsecured subordinated debentures due June 30, 2021 (the “**2014 Debentures**”, and together with the 2010 Debentures and the 2011 Debentures, the “**Debentures**”).

The information in this Annual Information Form is given as of March 5, 2015 unless otherwise indicated. All dollar amounts are stated in Canadian currency, unless otherwise stated.

2. Business Overview

Headquartered in Toronto, Ontario, Chemtrade operates a diversified business providing a portfolio of industrial chemicals and value-added services to a varied customer base in North America and around the world. Chemtrade was created to operate a chemicals business with a mandate to improve legacy operations while pursuing growth through acquisitions. Through the successful integration of six material strategic acquisitions, Chemtrade has added complementary products and services, diversified its earnings and end markets, extended its geographical reach and improved the stability of its earnings.

Chemtrade is one of North America’s largest suppliers of sulphuric acid, spent acid processing services (“**regen acid**”), inorganic coagulants for water treatment, liquid sulphur dioxide (“**liquid SO₂**”), sodium nitrite, sodium hydrosulphite (“**SHS**”) and phosphorus pentasulphide (“**P₂S₅**”). Chemtrade is a leading regional supplier of sulphur, sodium chlorate, potassium chloride and zinc oxide. Chemtrade’s value-added services to refineries include the processing of liquid sulphur into prilled sulphur for export shipment and the treatment of emissions to produce ammonium sulphate. Chemtrade is a strategic partner to many of its customers and suppliers, providing products and services that are critical in industries such as the gasoline, motor oil, fine paper, metals, newsprint, and other major industrial and consumer markets. In addition, Chemtrade has significant competitive advantages, including extensive fixed infrastructure, market position, contractual protection and geographic diversity and reach for certain of these products and services.

Chemtrade’s business model is to structure its businesses to promote stability of cash flow and to minimize the financial impact of fluctuations typical to industrial chemical businesses. This business model is implemented through risk-sharing and fee-based contracts, leading market positions, diversified customers and end market industries and product and service differentiation and specialization. This business model provides

significant support for Chemtrade’s cash flow and forms a foundation for future growth and expansion of the company.

Chemtrade operates more than 50 production facilities that can be broadly classified into (1) sulphuric acid/regen acid and liquid SO₂; (2) water treatment chemicals; (3) ammonium sulphate processing; (4) liquid SHS; (5) sodium chlorate; (6) sulphur prilling; and (7) specialty chemicals. In addition to its manufactured products, Chemtrade markets quantities of sulphur, SHS, liquid SO₂ and sulphuric acid obtained through marketing arrangements with strategic suppliers.

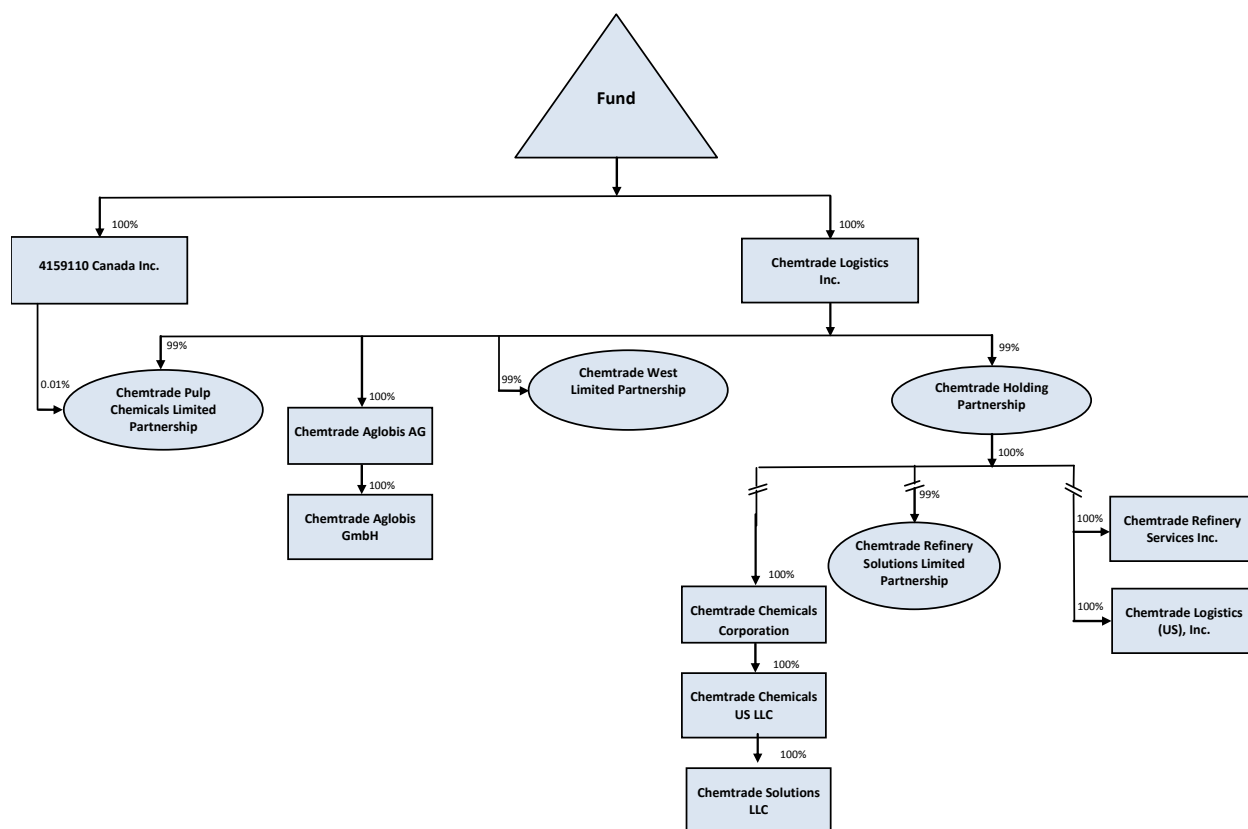
Chemtrade’s supply volumes are typically sourced through its own production facilities or procured via long-term marketing services arrangements (“**marketing arrangements**”) with industrial producers and other chemical producers. The industrial producers (“**Producers**”) include base metal smelting and refining operations that generate sulphuric acid, liquid SO₂ and sulphur as by-products of their production processes (collectively “**Commercial By-Products**”). This sourcing model provides multiple sources of supply for customers and lower costs and capital requirements for Chemtrade.

3. Inter-Corporate Relationships

Set out below is a list of the material subsidiaries of the Fund (followed by their respective material subsidiaries) all of which are wholly-owned, and their jurisdictions of incorporation or organisation, as applicable:

Chemtrade Logistics Inc.	Ontario
4159110 Canada Inc.	Canada
Chemtrade Pulp Chemicals Limited Partnership	Ontario
Chemtrade Aglobis AG	Switzerland
Chemtrade Aglobis GmbH	Germany
Chemtrade West Limited Partnership	Ontario
Chemtrade Holding Partnership	Delaware
Chemtrade Refinery Solutions Limited Partnership	Delaware
Chemtrade Refinery Services Inc.	Delaware
Chemtrade Logistics (US), Inc.	Delaware
Chemtrade Chemicals Corporation	Delaware
Chemtrade Chemicals US LLC	Delaware
Chemtrade Solutions LLC	Delaware

The chart below sets out the material subsidiaries of the Fund and the percentages shown indicate the percentage of votes attaching to voting securities.



II. GENERAL DEVELOPMENT OF THE BUSINESS

Chemtrade was created in 2001 to operate an industrial chemical and services business with a mandate to improve legacy operations while pursuing growth through acquisitions. At the time of the Fund’s Initial Public Offering (“**IPO**”), Chemtrade’s main business was marketing sulphuric acid and sulphur dioxide obtained from Vale Canada Limited (“**Vale**”) (formerly Inco Limited) and from its manufacturing facility in Cairo, OH. As well, Chemtrade traded sulphur and sulphuric acid through its International business. Chemtrade has grown primarily by way of acquisitions, but has also improved the reliability of its operations and pursued organic growth opportunities.

Since its IPO, Chemtrade has undertaken and successfully integrated a series of acquisitions, as discussed below.

1. SHS Acquisition

In 2002, Chemtrade acquired the SHS operations of Clariant Corporation and Clariant (Canada) Inc. (the “**SHS Acquisition**”). As a result of the SHS Acquisition, Chemtrade became one of the leading global producers, and the largest producer in North America, of sodium hydrosulphite. The SHS Acquisition fortified Chemtrade’s evolution into a more integrated supplier of sulphur-based products and services to its pulp and paper based customers.

2. Pulp Acquisition

Chemtrade acquired the business of the B.C. Chemicals Division of Canadian Forest Products Ltd. (“**B.C. Chemicals**”) located in Prince George, British Columbia in 2003 (the “**Pulp Acquisition**”). The Pulp Acquisition resulted in Chemtrade’s emergence as a leading regional supplier of sodium chlorate and toll processor of crude

tall oil (“**CTO**”) (an alternative energy source used in pulp and paper mills). The Pulp Acquisition provided Chemtrade with a stable, long-term contractual earnings stream while also further diversifying Chemtrade’s earnings by product, customer and geography.

3. Ruhr Acquisition

Chemtrade acquired the chemical trading and removal services businesses of Chemtrade Aglobis GmbH (formerly Kemmax GmbH) and its subsidiary Ruhrtrans GmbH in 2005 (the “**Ruhr Acquisition**”). Through the Ruhr Acquisition, Chemtrade became the leading independent sulphur removal company in Germany, while also providing chemical removal services to major oil and gas refinery customers throughout central Europe.

4. Peak Acquisition

Also in 2005, Chemtrade acquired the sulphuric acid and regen manufacturing and marketing business of Peak Sulfur, Inc. (“**Peak Sulfur**”) (now renamed Chemtrade Refinery Services Inc.) and Peak Chemical, L.L.C. (“**Peak Chemical**”) (now renamed Chemtrade Phosphorous Specialties L.L.C.) (the “**Peak Acquisition**”). The Peak Acquisition resulted in Chemtrade extending its sulphuric acid business into new geographic areas while enabling further product diversification including enhanced sulphuric acid and related regenerated acid capabilities as well as the production of P₂S₅. Through the Peak Acquisition, Chemtrade acquired facilities located at Beaumont, TX; Shreveport, LA; Tulsa, OK; Riverton, WY; and Lawrence, KS.

5. Marsulex Acquisition

In 2011, Chemtrade acquired the businesses of Marsulex Inc. (“**Marsulex**”) (other than Marsulex Environmental Technologies Corporation) (the “**Marsulex Acquisition**”). The Marsulex Acquisition diversified Chemtrade’s existing portfolio into new but related product and service offerings, extended Chemtrade’s reach into new geographic and industrial end markets and added production facilities. Many of the customer and supplier contracts acquired align with Chemtrade’s risk mitigation strategy, containing provisions that mitigate and, in some cases, eliminate typical commodity risks to ensure sustainable and stable long-term earnings. In addition to the new product and service offerings, the combined business created a comprehensive North American sulphuric acid and liquid SO₂ marketing operation.

6. General Chemical Acquisition

On January 23, 2014, Chemtrade completed the purchase of General Chemical Holding Company (“**General Chemical**”) (the “**General Chemical Acquisition**”). The acquisition of General Chemical added significant size, scale and scope to Chemtrade’s existing product and service platform. The businesses acquired pursuant to the General Chemical Acquisition enhanced Chemtrade’s sulphuric acid geographic footprint, established a leading North American presence in inorganic water treatment coagulants and added new but related specialty or differentiated product categories and end markets. Chemtrade filed a business acquisition report in respect of the General Chemical Acquisition.

III. DESCRIPTION OF THE BUSINESS

1. Business Segments

Chemtrade operates in four business segments: Sulphur Products & Performance Chemicals (“**SPPC**”), Water Solutions & Specialty Chemicals (“**WSSC**”), International Business and Corporate. The three operational segments are discussed below. Corporate is a non-operating segment that provides centralized services such as treasury, finance, information systems, human resources, legal and risk management.

2. Segmented Financial Disclosure

For the period from January 1, 2014 to December 31, 2014, revenue from SPPC represented 48% of Chemtrade’s aggregate revenue, revenue from WSSC represented 35% of Chemtrade’s aggregate revenue and revenue from the International Business represented 17% of Chemtrade’s aggregate revenue.

The segmented financial disclosure is provided as at December 31 for the 2014 and 2013 years.

	2014					2013				
	SPPC	WSSC	Intl.	Corp.	Total	SPPC	Pulp	Intl.	Corp.	Total
Revenue from external customers	584,426	418,228	200,741	-	1,203,395	499,309	126,353	187,419	-	813,081
Earnings (loss) before the undemoted	152,436	117,926	16,677	(65,797)	221,242	131,191	33,915	10,655	(45,883)	129,878
Unrealized foreign exchange loss	-	-	-	(17,114)	(17,114)	-	-	-	(9,634)	(9,634)
Depreciation and amortization	(82,678)	(78,740)	(1,953)	-	(163,371)	(60,847)	(16,022)	(1,803)	-	(78,672)
Gain (loss) on disposal of property, plant and equipment	3,800	(167)	-	-	3,633	(5,777)	(203)	-	-	(5,980)
Net finance (costs) income	(34,016)	(10,294)	10	(30,218)	(74,518)	(10,940)	-	9	(27,766)	(38,697)
Income tax recovery (expense)	44,118	7,621	(2,492)	1,911	51,158	10,102	(167)	(1,700)	332	8,567
Net earnings (loss)	83,660	36,346	12,242	(111,218)	21,030	63,729	17,523	7,161	(82,951)	5,462
Total assets	1,101,312	1,058,443	70,892	3,410	2,234,057	711,057	175,508	61,833	2,289	950,687
Intangible assets	477,042	644,860	25,773	-	1,147,675	271,804	69,369	25,087	-	366,260
Capital expenditures	31,875	18,798	680	1,427	52,780	30,833	18,371	677	204	50,085

3. Sulphur Products and Performance Chemicals (“SPPC”)

(a) Segment Overview

The SPPC segment markets several products including sulphuric acid (merchant acid, regen acid and ultra pure acid), liquid SO₂, sulphur, sodium bisulphite (“SBS”) and SHS. The SPPC segment also includes the processing services performed by its Fort McMurray, AB facility (processing of scrubber effluent to produce ammonium sulphate; connected by pipeline to its customer) and its Mount Vernon, Washington facility (prilling molten (liquid) sulphur). Prior to the sale of the Montreal East business in July 2014 (see “Recent Developments – Sale of Montreal East Business” (section IV.2)), the SPPC segment also included hydrogen sulphide processing services at this facility. These products and services are typically supplied to North American customers.

Chemtrade manufactures a portion of its North American merchant sulphuric acid supply and a portion of its liquid SO₂, with the balance of these products being obtained primarily from Producers. Chemtrade manufactures or processes the large majority of its regen acid and ultrapure acid, SBS and liquid SHS at its own facilities. Powder SHS is obtained from a Chinese producer, Guangdong ZhongCheng Chemicals Inc., Ltd. (“ZhongCheng”) pursuant to a long-term, exclusive marketing arrangement, and sulphur is obtained under marketing agreements with various suppliers.

(b) SPPC Products

(i) Acid – Sulphuric Acid/Regen Acid/Ultra Pure Acid

The sulphuric acid, regen acid and ultra pure acid (collectively, “Acid”) sold by Chemtrade is obtained from:

- (1) one of Chemtrade’s ten manufacturing facilities. The main raw materials for Chemtrade’s production of Acid are sulphur and spent acid. Sulphur is supplied by various sources (mostly refineries) and pricing is typically adjusted with the Tampa “Green Market” posting, which is a frequently used industry pricing index. Six of Chemtrade’s facilities (Anacortes, WA; Richmond, CA; Toledo, OH; Beaumont, TX; Shreveport, LA; and Riverton, WY) also produce regen acid by taking “spent acid” (which is sulphuric acid that has been diluted and contaminated during the production of alkylate by petroleum refineries) and processing it to produce fresh sulphuric acid, referred to as “regen acid”.
- (2) Producers who: (A) capture sulphur from by-product sulphur dioxide gas streams that result from base metal smelting processes as part of environmental compliance; or (B) convert sulphur at owned sulphuric acid plants primarily used for on-site requirements. Much of the merchant sulphuric acid sold by Chemtrade is obtained from third party Producers. Chemtrade’s primary third party sulphuric acid Producers are Vale and Sherritt International Corporation (“Sherritt”).

(A) *Sulphuric Acid* – Sulphuric acid is one of the most widely used chemicals in the world and some commercial applications of sulphuric acid are set out in the table below. Substantially all of Chemtrade’s sulphuric acid sales are to customers in the chemicals manufacturing, pulp and paper, utilities and mining & metals industries, and to wholesale distributors. Chemtrade’s water treatment chemicals plants are also large consumers of sulphuric acid. In North America, Chemtrade markets its sulphuric acid entirely within the “merchant” market (i.e. customers who purchase sulphuric acid not produced internally) and does not typically participate in the fertilizer market.

Commercial Applications of Sulphuric Acid		
Customer Application	Description	Chemtrade
Fertilizer	Used in the production of phosphate fertilizers	✘
Pulp and paper	Used to produce a bleaching agent	✓
Industrial chemical production	Used as a constituent for numerous chemical processes	✓
Automotive	Used in the production of automobile batteries	✓
Steel	Used in the steel production process	✓
Water treatment	Used in the water treatment process	✓
Mining	Used in the production of base metals from ore	✓

(B) *Regen Acid* – In “round trip” regeneration, spent acid is shipped to Chemtrade by the producing refinery or chemical manufacturer for processing, and then fresh replacement sulphuric acid is returned to the refinery/manufacturer. In some cases, “one way” spent acid is simply shipped to Chemtrade’s regeneration plant for a fee by the refinery or manufacturer without the expectation of product return to the producing refinery/manufacturer.

Chemtrade’s largest regen acid facilities (at Toledo, OH, Beaumont, TX, Anacortes, WA and Richmond, CA) are pipeline-connected to petroleum refineries. The Toledo and Anacortes facilities also provide hydrogen sulphide processing services to these pipeline customers. Chemtrade’s other regen facilities are located in Shreveport, LA and Riverton, WY. Chemtrade’s regen acid customers are primarily petroleum refineries, which are producers of spent acid.

(C) *Ultra Pure Acid* – Four of Chemtrade’s ten sulphuric acid manufacturing facilities (at Tulsa, OK; Cairo, OH; Riverton, WY; Richmond, CA) also produce ultra pure acid for sale. Ultra pure acid is produced voluntarily by burning sulphur and by taking a slip stream of SO₃ from sulphuric acid plants. It has very low chemical or metal contaminants (measured in parts per trillion) making it suitable for use in semi-conductor electronic circuit fabrications, specialty batteries and lab chemistry. Ultra pure sulphuric acid is used for etching and cleaning silicon wafers in the production of semi-conductors.

(ii) **Liquid Sulphur Dioxide (SO₂)**

Liquid SO₂ is produced voluntarily by burning sulphur and involuntarily by converting by-product sulphur dioxide gas streams from base metal smelters. Chemtrade’s liquid SO₂ is obtained from four sources: (1) its Prince George, BC manufacturing facility; (2) a facility owned by Chemtrade in Charleston, TN which is operated by Olin Corporation under contract; (3) from Producers operating base metal smelters in western Canada and Mexico; and (4) from “on-purpose” Producers in the United States. The principal uses for liquid SO₂ currently are (1) as a raw material in the production of liquid SHS, with Chemtrade’s SHS production facilities as a significant consumer of liquid SO₂ and (2) for cyanide destruction in gold mining.

(iii) Sodium Hydrosulphite (SHS)

Chemtrade sells SHS in both powder and liquid form. Powder SHS may be shipped long distances and is diluted with water prior to introduction into a bleaching system. Liquid SHS is delivered in a “ready-to-use” form to a more localized customer base due to its short shelf-life and relatively high transportation costs. Liquid SHS is manufactured at Chemtrade’s facilities in Leeds, SC and Kalama, WA and at its tolling operations in Thunder Bay, ON and Trois-Rivières, QC. Liquid SHS is produced by Chemtrade from zinc powder, caustic soda and liquid SO₂ or by dissolving powder SHS. All powder SHS sold in North America is now imported (principally from China, including from ZhongCheng). Chemtrade purchases powder SHS under a long-term supply contract with ZhongCheng.

SHS is primarily used within the paper industry, where it is used to bleach pulp containing a high percentage of wood fibre and to decolourize recycled pulp used in newsprint production. SHS is also used in the process of refining kaolin clays, which are used heavily in high value glossy magazines requiring superior printing properties and very high brightness. As a coating agent in paper, kaolin provides a smooth, opaque surface with good printability and ink retention. SHS is also used in the textile industry for bleaching and decolourizing dyed fibres and for removing unfixed dyes from certain forms of dyed polyester.

Chemtrade also produces zinc oxide as a by-product of the production of liquid SHS. Zinc oxide can be used in a number of industries, including rubber, chemicals, paints, agriculture, ceramics and glass.

(iv) Sodium Bisulphite (SBS)

Chemtrade manufactures SBS at six of its sulphuric acid facilities and SBS is also produced at Chemtrade’s Fort Saskatchewan, AB facility by reacting caustic soda or soda ash with SO₂ in either a liquid or gaseous form. Chemtrade also markets SBS from its former Montreal East facility through a contractual arrangement with a Suncor affiliate. SBS is primarily used as a bleaching agent in the pulp and paper industry, and can also be used as a de-chlorination agent in municipal and industrial water treatment. Most of the SBS produced by Chemtrade is sold through third party marketers.

(v) Sulphur

All of the molten (liquid) sulphur purchased and sold by Chemtrade is produced as a by-product by Producers, most of whom operate petroleum refineries or natural gas processing assets in North America. The primary use for sulphur is in the production of sulphuric acid and in particular, to produce fertilizers; however, Chemtrade’s sales are primarily for non-fertilizer uses in the industrial chemicals segment. Chemtrade’s internal need for sulphur at its own plants provides an advantageous platform to secure resale positions for its sulphur resale business. Chemtrade’s sulphur business consists of (1) a procurement function (supplying the sulphur needs of Chemtrade facilities and contracted suppliers), (2) a marketing and distribution service (marketing liquid sulphur produced as a by-product by Producers), and (3) a prilling service, forming molten sulphur from refineries in the region of Anacortes, WA into solid prills for export shipping. Chemtrade performs this prilling service at its facility in Mount Vernon, WA.

(c) Processing Services

(i) Hydrogen Sulphide

Chemtrade’s Toledo, OH and Anacortes, WA facilities also process hydrogen sulphide gas, converting it into sulphuric acid. In Anacortes, Tesoro Refining and Marketing Company (“**Tesoro**”) owns a sulphur recovery unit (“**SRU**”) which is operated by Chemtrade to produce molten sulphur.

Prior to the facility’s sale in July 2014, Chemtrade’s Montreal East, QC facility provided hydrogen processing services to the adjacent refinery owned by Suncor Energy Inc. (“**Suncor**”). Following the sale, Chemtrade continues to market the sulphur and SBS produced under a contractual arrangement.

(ii) Ammonium Sulphate

Chemtrade's Fort McMurray, AB facility is located at Syncrude Canada Ltd.'s ("Syncrude") Mildred Lake bitumen extraction plant and upgrading facility. Chemtrade's facility takes a slurry produced by Syncrude's ammonia scrubber and processes it into commercially saleable ammonium sulphate ("AS") fertilizer, which Chemtrade sells on behalf of Syncrude.

(d) Marketing; Contractual Arrangements

(i) Producers and Suppliers

Producer sourced supply provides Chemtrade with a reliable source of sulphur based by-products at competitive costs together with, in many cases, contractual protection from fluctuations in end-market prices, volumes and transportation costs.

Chemtrade's primary Producer of sulphuric acid is the leading base metal smelter, Vale. The business's relationship with Vale dates back over 80 years and Chemtrade has never caused production downtime for Vale. The Vale contract runs until December 31, 2017. In May 2013, Vale shut down its liquid SO₂ production but Vale continues to supply sulphuric acid under this contract. In January 2013, Vale announced that it plans to move to a single-furnace operation at its Copper Cliff, ON smelter, which is expected to reduce the amount of by-product sulphuric acid that Chemtrade receives from Vale. The amount of the reduction is not yet determinable and it is not expected to occur until sometime in 2016.

Chemtrade's other key suppliers of Commercial By-Products in North America include Sherritt, Climax Molybdenum Company ("Climax"), Met-Mex Peñoles, S.A. de C.V., Imperial Oil Limited, Irving Oil Limited, Consumers' Co-operative Refineries Limited, Sinclair Oil and others.

Producer agreements are of varying duration and are structured to mitigate Chemtrade's exposure to volume, sales price and transportation cost changes through:

- (1) Risk sharing contracts – where Chemtrade shares these risks with Producers, in which payment to the Producer is adjusted by a percentage of movements in the sales price realized and transportation costs borne by Chemtrade on the sale of the Commercial By-Products; or
- (2) Matched contracts – where Chemtrade matches product supply costs with customer sales prices in order to realize a fixed margin with no price movement risk.

In the SHS business, the long term contract with ZhongCheng which commenced in 2006 supplies all of the powder SHS that Chemtrade markets. Chemtrade also has a tolling agreement with Somavrac Inc. ("Somavrac") at Trois-Rivières, QC. Under the agreement, Somavrac uses raw materials provided by Chemtrade to produce liquid SHS and zinc oxide by-products that are then sold to customers by Chemtrade.

(ii) Processing Services

The processing services Chemtrade provides at its Fort McMurray, AB facility and, during the beginning of 2014, at its Montreal East QC facility, are fee-based contracts, pursuant to which Chemtrade performs a service for these customers and is paid a fee in exchange, such that Chemtrade is protected from variances in product price and volume. The sulphur prilling service Chemtrade provides at its Mount Vernon, WA facility is in exchange for a tolling fee and in some cases, Chemtrade does not take title to the product. Chemtrade's agreement with Tesoro for the operation of Tesoro's SRU and the processing of hydrogen sulphide into sulphuric acid and sulphur is part of an agreement that includes the provision of supply of regen acid services to the customer.

(iii) Customers

In North America, Chemtrade's customers operate in a variety of industries, including pulp and paper, refineries, chemicals manufacturing, textiles, kaolin clay, water treatment, mining and semi-conductor production.

(A) *Sulphuric Acid* – Although the single largest end-use of sulphuric acid is the manufacture of phosphate fertilizer, Chemtrade generally does not serve this market in North America because it historically supports less attractive margins than Chemtrade’s other targeted end-markets.

Most of the agreements with merchant sulphuric acid customers are annual contracts or purchase orders. Sulphuric acid is sold to chemical manufacturing customers and pulp and paper, utilities and mining & metals customers, and to wholesale distributors. In general, pricing in contracts for sulphuric acid varies according to regional market conditions. The revenues from sulphuric acid are generally sustained by focusing on balanced or regional markets where Chemtrade has a logistics advantage.

Chemtrade’s largest sulphuric acid customer, DSM Chemicals North America, Inc. (“**DSM**”), purchases sulphuric acid via pipeline under a long term agreement that contains provisions to adjust pricing for changes in the variable cost of sulphur and inflation. Chemtrade also provides high pressure steam by pipeline from its Augusta, GA facility to the adjacent DSM caprolactum facility.

(B) *Regen Acid* – Customers for acid regeneration consist of (1) petroleum refineries connected by pipeline at Chemtrade’s facilities located in Anacortes, WA, Richmond, CA, Beaumont, TX and Toledo, OH and (2) petroleum refineries and chemical manufacturers located within close proximity to Chemtrade’s regeneration facilities in Ohio, Texas, Louisiana, Washington and Wyoming.

Customer contracts in the regen acid business have terms of up to seven years. There is typically very little turnover of customers due to contract length and the fact that spent acid producers tend to favour regen acid processors who are located in close proximity.

Significant energy is required to provide for combustion of spent acid. The regeneration sales contracts typically pass energy cost charges on to the customer.

(C) *Ultra Pure Acid* – Demand for ultra pure acid is increasing, resulting primarily from the semi-conductor industry growth where the preponderance of demand is generated. Specialty batteries, reagent chemicals and other applications represent the balance of ultra pure acid demand. Ultra pure acid customers do not frequently change suppliers due to the rigorous process of qualifying product for use in their applications.

(D) *Liquid SO₂* –The agreements with liquid SO₂ customers are either annual (or longer) contracts or purchase orders. In general, pricing for liquid SO₂ reflects regional supply options and transportation costs from a relatively small number of production facilities.

(E) *Sulphur* – Production of sulphur in North America is concentrated in the hands of the major oil and gas companies who themselves engage in direct sales to the major phosphate fertilizer producers. Chemtrade operates in a market niche, providing sulphur marketing and logistics services for small to medium sized refineries that may or may not be affiliated with the major oil companies.

Most of the agreements with sulphur customers feature netback, “back-to-back”, and other risk mitigation provisions to protect base cash flow levels to Chemtrade. In general, pricing in contracts for sulphur varies according to regional market conditions, including the Tampa “Green Markets” posting, which is a frequently used industry pricing index.

(F) *SBS* – Chemtrade sells the majority of its SBS through third party marketers that sell into end market applications such as municipal water treatment, food processing, mining, and general industrial applications. In general, prices in contracts for SBS vary according to regional market conditions or in response to changes in the costs of key raw materials sulphur or alkali (caustic soda or soda ash).

(G) *SHS* – SHS is marketed across North America with some exports to Latin America and South Africa.

Powder SHS is typically sold directly to end-use customers, although at times through distributors; liquid SHS is typically sold directly to end-use customers. A key competitive advantage for liquid SHS producers is proximity to customers as the shelf life of liquid SHS is approximately ten days. Powder SHS has a longer shelf life and can be transported globally.

Most of the agreements for liquid SHS tend to be longer term in nature, as many such contracts represent “base load” customers for Chemtrade’s liquid SHS facilities, from which Chemtrade has a logistics advantage over its competition.

The majority of both liquid and powder SHS sales are to paper industry customers with the balance to kaolin clay and textile customers for liquid SHS and to textile customers and distributors for powder SHS. In general, pricing in contracts for both liquid and powder SHS varies according to regional market conditions.

(H) *Processing –AS and Hydrogen Sulphide* - Chemtrade’s facility located at Fort McMurray, AB provides its processing services only to Syncrude, with Chemtrade’s operations located within the Syncrude Mildred Lake complex. Similarly, during the first half of 2014, the hydrogen sulphide processing facility located in Montreal East only serviced the Suncor refinery, connected by pipeline.

(e) Competition

In North America, Chemtrade has a leading market position in third-party removal or marketing services for various sulphur products. Based on knowledge of capacity in the industry, management believes that it is the leading marketer of liquid SO₂ and SHS, the leading producer of ultra pure sulphuric acid and a top three leading marketer of merchant sulphuric acid. Key competitors of Chemtrade in North America, by product market are:

Sulphuric Acid: DuPont Chemical Solutions Enterprise, Eco Services, Glencore plc, Southern States Chemical Company and PVS Chemical Solutions Inc.

Regen Acid: Eco Services, DuPont Chemical Solutions Enterprise and the refiners themselves.

Ultra Pure Acid: Honeywell International Inc. and PVS Chemical Solutions Inc.

Liquid SO₂: Calabrian Corporation and PVS Chemical Solutions Inc.

Sulphur: Traders, large customers with railcar fleets and the refiners themselves.

SHS: Hydro Technologies (Canada) Inc. and Dow Chemical Company.

SBS: Southern Ionics Incorporated, PVS Chemical Solutions Inc., Hydrite Chemical Company, Univar USA Inc. and Thatcher Company

4. Water Solutions and Specialty Chemicals (“WSSC”)

(a) Segment Overview

In light of the General Chemical Acquisition, the WSSC segment was created effective January 1, 2014. The WSSC segment manufactures and markets a variety of inorganic coagulants used in water treatment, including aluminum sulphate (“**Alum**”), aluminum chlorohydrate (“**ACH**”), polyaluminum chloride (“**PACl**”), ferric sulphate (“**Ferric**”), and others; and a number of specialty chemicals, including sodium nitrite, potassium chloride, sodium chlorate, P₂S₅, vaccine adjuvants, and sulphides. These products are marketed primarily to North American customers, with water treatment chemicals being sold to both municipal and industrial customers, and the specialty chemicals to industrial customers in a variety of industries globally.

Chemtrade has the largest manufacturing footprint of inorganic coagulant water treatment chemicals in North America, with over 35 manufacturing facilities. A broad product offering enables Chemtrade to offer its customers a water treatment solution suited to their circumstances, which is often driven by water characteristics such as temperature and turbidity. In addition to coagulants, other chemicals may be added at different phases during the water treatment process, and Chemtrade also has products for pH modification and disinfection.

Product Offerings in the Water Treatment Process

Coagulation – coagulant chemicals neutralize the charge of suspended impurities in water. Once neutralized, the particles coagulate to form larger particles that will settle. Through sedimentation and then filtration, these larger particles are separated from the water, thereby cleansing the water of suspended impurities.		
Products	Primary Applications	Functional Properties
Alum ACH PACl Ferric	<ul style="list-style-type: none"> • Potable water treatment • Wastewater treatment • Controlling pitch deposits and resin precipitation in paper manufacturing • Other industrial • Poultry litter treatment 	Removes suspended impurities in water Useful in phosphorous removal Used in paper production for sizing and waste water treatment Alum also used in poultry houses for ammonia control

The function of water treatment chemicals is to purify, recycle and dispose of water. Water contaminants (originating from sources like bacteria, microbes, suspensions, colloids and dissolved compounds) can cause human illness, corrosion and fouling, and be harmful to industry and agriculture. The two main uses for water treatment chemicals are (1) treating drinking water; and (2) wastewater treatment. In wastewater treatment, coagulants are used for (i) clarification, (ii) phosphorous management, (iii) odour control, and (iv) sludge conditioning in the wastewater treatment process.

For a number of the specialty chemicals that comprise the WSSC segment, Chemtrade is the sole supplier, or one of a very few suppliers, in North America, Chemtrade is the sole North American manufacturer of both sodium nitrite and active pharmaceutical ingredient grade potassium chloride, as well as one of two North American manufacturers of P_2S_5 . Also, Chemtrade is a leading regional supplier of sodium chlorate in a consolidated North American industry, with a few large suppliers including Chemtrade controlling nearly all of market capacity.

(b) WSSC Products

(i) Aluminum Sulphate (Alum)

Alum is the most widely used inorganic coagulant for water treatment and Chemtrade's highest volume water treatment product. It is produced in both dry and liquid forms. Alum is primarily consumed in municipal and industrial water treatment and in the pulp and paper industry for process water treatment and paper sizing.

To manufacture Alum, sulphuric acid is combined with either aluminum trihydrate or bauxite. Sulphuric acid is sourced from Chemtrade's own facilities, or from third parties where it is more economical to do so due to transportation costs or other reasons.

(ii) Polyaluminum Chloride (PACl)

PACl is a class of polymeric coagulants that are effective in cold and low-turbidity water.

(iii) Aluminum Chlorohydrate (ACH)

ACH is a subset of the polyaluminum chloride class of aluminum-based coagulants. ACH's highly charged polymers offer enhanced performance characteristics.

(iv) Ferric Sulphate (Ferric)

Ferric is another inorganic coagulant used in certain regions for water treatment. To manufacture Ferric, sulphuric acid is combined with iron ore.

(v) Sodium Chlorate

Sodium Chlorate is used for the production of chlorine dioxide, which in turn is used in the bleaching phase of the kraft pulping process. Sodium chlorate is produced from electricity and salt in a chemical process called electrolysis. A high purity hydrogen gas stream is also generated in the process. There are no commercially competitive technologies to electrolysis for the production of sodium chlorate.

(vi) Crude Tall Oil (CTO) and Hydrogen

CTO can be used as an alternative energy source for pulp and paper mills. CTO and reactor spent acid (“RSA”) are produced from soap skimmings recovered from pulp and paper mills. Soap skimmings are a by-product of the pulp-making process and their removal is a key operational requirement for pulp mills as it allows them to increase their production capability. Hydrogen is a by-product of sodium chlorate manufacturing.

(vii) Phosphorous Pentasulphide (P_2S_5)

P_2S_5 is a performance chemical used primarily as a key ingredient in the lubricating oil and grease additive markets for automotive motor oil. Customers combine P_2S_5 with zinc oxide and other ingredients to form zinc dialkyldithiophosphate (ZDDP), which is effective at inhibiting both engine wear and corrosion.

(viii) Sodium Nitrite

Sodium Nitrite is used in a wide range of industrial processes, including food preservation; metal finishing; manufacture of inks, dyes, paints coating and pigments; water treatment corrosion inhibitors; and oil and gas in upstream applications to control souring and corrosion and improve production and production quality.

(ix) Potassium Chloride

Chemtrade produces high-purity potassium chloride which is used as an ingredient in custom pharmaceutical formulations for time-release applications, food as a salt alternative, vitamin/neutraceutical applications for potassium replacement, tantalum refinement and dialysis and other applications. These applications require specialized and high-purity potassium chloride products, which is different than the more commoditized potassium chloride sold as a source of potassium for plant nutrition and fertilizer use.

(x) Vaccine Adjuvants

Vaccine adjuvants improve overall efficacy of animal and human vaccines and are required to meet a broad range of pH, protein binding and other requirements.

(xi) Sulphides - Carbon Disulphide (CS_2) and Hydrogen Sulphide (H_2S)

Carbon disulphide and hydrogen sulphide are produced as co-products at Chemtrade’s Fort Saskatchewan, AB sulphides facility. Carbon disulphide is primarily used in the production of xanthates and herbicides. It is also used as a de-waxing agent in the oil and gas industry. Hydrogen sulphide is primarily used in the nickel refining process.

(c) Contractual Arrangements

(i) Alum, PACl, ACH and Ferric

There are two main end markets for water treatment chemicals:

- (1) Municipal Market: This is Chemtrade’s largest end market for water treatment chemicals. and the major use is for treating drinking water. This is a stable market, predominantly driven by population size rather than broader economic cycles; and
- (2) Industrial Market: The pulp and paper industry is Chemtrade’s second largest industry end market for water treatment chemicals, with agricultural and general industrial end users, including metals, mining and chemical production making up the balance. The major use is for wastewater treatment.

The North American market for water treatment chemicals generally tracks GDP and population growth. Increased regulation requiring cleaner water, increased industrial activity and declining sources of clean water may contribute to growth in the water treatment chemical industry in excess of population growth.

Contracts for municipal accounts in the water treatment chemicals business of the WSSC segment are generally fixed price and awarded through a competitive sealed bid process. Many of the larger industrial contracts are multi-year and have pricing adjustments tied to raw material costs.

The major raw materials for alum, PACl, ACH and ferric are sulphuric acid, aluminum (as ore or metal), iron ore and hydrochloric acid.

(ii) Sodium Chlorate, CTO and Hydrogen

Chemtrade produces and distributes sodium chlorate (in both solution and crystal (anhydrous) form) and CTO into the western North America pulp and paper markets. Chemtrade's sodium chlorate plant is located in Prince George, BC, adjacent to the three pulp and paper mills of its largest customer, Canfor Pulp Ltd. ("**Canfor**").

Approximately 60% of Chemtrade's sodium chlorate capacity is sold to Canfor's Prince George pulp and paper mills. The balance of the capacity is sold under contracts that are generally of one to three years in duration. The agreement with Canfor obligates Canfor to purchase approximately 60% of Chemtrade's sodium chlorate capacity at a price per tonne that is adjusted for changes in prices of the main raw materials. Chemtrade recently made substantial investments in its facility to improve cost efficiency and a large portion of the energy and salt savings are reflected in the price charged to Canfor. The Canfor agreement is in place until at least August 2018, at which point it is renewable for additional five-year terms unless either party give two years' notice prior to the end of the term.

The raw materials in sodium chlorate production, being electricity, salt and caustic soda, represent approximately 90% of the variable cost of production. Electricity is obtained from British Columbia Hydro and Power Authority ("**BC Hydro**"). During 2014, the supply of salt was transitioned to a long-term contract with a domestic salt supplier. Caustic soda is used in both sodium chlorate and CTO production and Chemtrade's sodium chlorate facility purchases all of its caustic soda requirements under a contract with a global supplier. Steam is supplied pursuant to a long-term services agreement with Canfor, whereby certain support services (effluent treatment, steam supply, water supply and caustic soda negotiation services) are provided by Canfor to the Prince George facility.

Chemtrade obtains the majority of its soap skimmings from Canfor pursuant to a long-term contract with Canfor. This agreement expires December 31, 2016 and may be renewed for an additional two year term. Under the terms of the agreement, Canfor provides the soap skimmings necessary for CTO production and CTO and RSA are both returned to Canfor's pulp mills for use in their power boilers. In addition, Chemtrade processes soap skimmings obtained from another customer and markets the CTO obtained.

Hydrogen is sold by pipeline to an adjacent hydrogen peroxide manufacturer pursuant to a contract which expires on December 31, 2015.

(iii) P_2S_5

Chemtrade is one of only two North American producers of P_2S_5 , with about a 30% share of the North American market. Sales agreements are generally one to three years in duration. Product pricing is closely linked to raw material price of elemental phosphorus and sulphur, the two main raw materials. Chemtrade sources elemental phosphorus from various overseas sources pursuant to a long-term procurement and supply agreement with Israeli Chemicals Limited ("**ICL**"). Sulphur is sourced from multiple suppliers.

(iv) Sodium Nitrite

Chemtrade is the sole North American manufacturer of sodium nitrite. Since 2008 anti-dumping regulations and countervailing duties by the U.S. Commerce Department have been in place against suppliers of sodium nitrite from Germany and China. These were renewed in January 2014 for another five year period until January 2019. Soda ash and anhydrous ammonia are the main raw materials for the manufacture of sodium nitrite.

(v) Potassium Chloride

To serve the custom pharmaceutical, nutraceutical and food application markets, suppliers must meet strict regulatory requirements and maintain a Drug Master File with the U.S. Food and Drug Administration for active pharmaceutical ingredients (“API”). Chemtrade is the sole North American-based manufacturer of an API class potassium chloride product supported by an active Drug Master File and has a specialized production process that creates crystals that are ideal for time release applications. Potassium chloride is also used in high-end metal refinement, particularly for tantalum, which is used in semiconductors found in electronic products like smartphones. Potash is the main raw material in manufacturing potassium chloride.

(vi) Vaccine Adjuvants

Chemtrade manufactures a line of aluminum-based products used in veterinary vaccine and human blood separation applications. Several major pharmaceutical companies are customers. Regulatory requirements in connection with vaccine manufacturing are very strict and as a result, once a vaccine adjuvant is specified by a customer and production of the vaccine begins, it is extremely difficult to change the vaccine adjuvant supplier. The main raw materials for manufacturing vaccine adjuvants are aluminum chloride and sodium carbonate.

(vii) Sulphides (CS₂ and H₂S)

There are niche markets for hydrogen sulphide and carbon disulphide, with Chemtrade as the sole North American producer of merchant hydrogen sulphide. Carbon disulphide is sold within the western continental region for use in the mining, oil and gas, and insecticide industries. Pricing for these products varies based upon supply-demand balance, and generally varies in response to changes in the key raw materials sulphur and natural gas.

(d) Competition

The water treatment chemicals market is a regional market, in which proximity to customers plays a key role in competitiveness. Because coagulants are typically shipped as a water-based solution, freight costs become prohibitively high as delivery distance increases. Chemtrade has over 35 water treatment chemicals manufacturing facilities which create a footprint that is able to efficiently supply the vast majority of the North American market.

Municipal contracts are generally awarded through a competitive sealed bid process which is primarily done on an annual basis. Pricing changes over time tend to move with input costs. Due to the regional nature of the market, typically only two to three competitors will submit bids during a bid process, with the freight advantaged supplier usually winning the business. Industrial contracts are also typically awarded through a competitive bid process, with the competitive dynamics being generally more idiosyncratic to the customer.

The main competitors for each product are set out below:

Alum: Kemira Water Solutions, Inc., GEO Specialty Chemicals, Thatcher Company, USALCO, Southern Ionics Incorporated, C&S Chemicals, Inc., Border Chemicals Company Ltd., Chameleon Specialty Chemicals, GAC Chemical Corporation, Holland Company, Inc., Eco Services Operations LLC, PVS Chemicals, Inc., Brenntag Southwest, Inc. and Affinity Chemical LLC

PACI: Kemira Water Solutions, Inc., GEO Specialty Chemicals, AlChem Chemical Company, Cal-Chem Corporation, Gulbrandsen Chemicals, Holland Company, Inc., Summit Chemicals, Inc. and USALCO

ACH: Kemira Water Solutions, Inc., GEO Specialty Chemicals, AlChem Chemical Company, Cal-Chem Corporation, Gulbrandsen Chemicals, Harcros Chemicals Inc., Summit Chemicals, Inc. and Thatcher Company.

Ferric: Kemira Water Solutions, Inc., Thatcher Company, Pencoco, Inc., PVS Chemicals, Inc., and ALTIVIA Chemicals, LLC

Sodium Chlorate: Canexus Chemicals Canada LP and ERCO Worldwide, a division of Superior Plus LP.

P₂S₅: Phosphorus Derivatives Inc., a subsidiary of Israeli Chemicals Limited.

Sodium Nitrite: SABIC (Saudi Basic Industries Corporation) and Deepak Nitrite Limited

Potassium Chloride: Morton Salt, Inc., Dead Sea Works (ICL Fertilizers) and Klinge Chemicals Limited

Vaccine Adjuvants: Brenntag Nordic and SPI Pharma, Inc.

Sulphides: AkzoNobel Sulfur Derivatives.

5. International Business

(a) General

Chemtrade's International Business, known as Chemtrade Aglobis, is focused on the removal, marketing, trading, distribution and storage of sulphuric acid and sulphur from Producers including petroleum refineries, non-ferrous smelters and other industrial facilities located outside of North America. The segment has established sources and/or markets for its commercial sulphur based by-products in Europe, Latin America, South America, North America, North Africa and the Asia-Pacific region. The International Business is a major participant in the removal, marketing, trading and distribution of sulphuric acid and sulphur from countries that have removal needs in excess of their local demand, to major importers.

The International Business is comprised of a number of integrated businesses including:

- a global sulphur-based trading and marketing business headquartered in Zug, Switzerland, focussed on deep sea logistics and trading;
- a multi-commodity deep-water ocean storage terminal which is owned and operated in Rotterdam, Netherlands;
- a sulphur and sulphuric acid marketing and distribution business based in Essen, Germany, which focuses primarily on the removal and balancing of sulphur and sulphuric acid between suppliers and consumers within Germany and continental Europe; and
- a trucking operation, based in Essen, Germany, which primarily handles the internal European logistics requirements of Chemtrade Aglobis. This business operates trucks and trailers, which are owned or leased, and rail tank cars, which are leased under long term agreements.

Chemtrade Aglobis' business model is based on many of the same strategic factors as the North American model for sulphuric acid and sulphur. As discussed above, Chemtrade's North American SPPC segment provides inventory balancing for involuntary sulphur and sulphuric acid producers, and maximizes value to Producers for this product through its logistics network and market knowledge. The International Business and the North American business complement each other by providing a wider discovery of sulphur and sulphuric acid market information and marketing solutions to create value for Chemtrade and its business partners.

(b) International Products and Activities

(i) Sulphur

The bulk of sulphur within Europe is generated as a result of the desulphurization process of sour crude oils and gases. Supply of sulphur in the region exceeds local industrial demand. The main marketers of liquid sulphur within Europe are the Producers themselves. Chemtrade has long-term offtake and sales contracts of varying duration with many of the large producers and consumers of sulphur. Chemtrade's businesses of marketing sulphur from the Benelux countries, Germany and eastern Europe complements Chemtrade's ability to provide balancing services for local involuntary Producers. Chemtrade markets the sulphur primarily on the continent and also exports this sulphur to other regions including Africa and South America.

(ii) Sulphuric Acid

Chemtrade's International Business has two key areas of participation in the sulphuric acid market: continental Europe and export. In continental Europe, Chemtrade's principal activity in sulphuric acid is in markets in northwest Europe. It has regular intake of sulphuric acid from both voluntary (straight purchases and sulphur conversions) and involuntary production (mainly metal smelting). With respect to the export market,

Chemtrade competes in the deep sea traded sulphuric acid market. A significant portion of this sulphuric acid is marketed by Producers, but of the balance, Chemtrade is one of three significant worldwide marketers. Chemtrade focuses on sourcing sulphuric acid in Europe and Asia and marketing it globally through its offshore terminals in Rotterdam, Netherlands and in Mejillones, Chile.

(iii) Storage and Terminal Services

Chemtrade is also involved in the handling and storage of sulphuric acid, liquid sulphur and caustic soda through ownership of an ocean terminal located in Rotterdam, Netherlands with over 90,000 tonnes of storage. In addition to the component of this storage that is used to terminal Chemtrade's sulphuric acid and sulphur, the terminal has dedicated tankage under multi-year lease for caustic soda for third parties, who market the product themselves. Chemtrade transports liquid sulphur in Germany through its ownership of approximately 40 trucks / trailers and its leasing of rail tank cars under long term lease agreements. At the Port of Mejillones, Chile, Chemtrade leases a 20,000 metric tonne sulphuric acid tank which is available for imports and exports by vessel, as well as for truck and rail loading.

(c) Competition

Outside North America, Chemtrade faces different competitors. In these regions, competition is broken down by geographic market as follows, rather than by product market as is the case in North America:

Europe: Solvadis Chemag, Transammonia SA, and various by-product sulphuric acid and sulphur producers who market their products themselves.

Pacific Region, Latin and South America: Interacid Trading SA, Transammonia SA and various by-product sulphuric acid and sulphur producers who market their products themselves.

6. Facilities

The table below lists Chemtrade's principal manufacturing locations. Chemtrade has also entered into a number of agreements with third party warehousing parties to store its SHS inventory, as well as with intermodal transfer stations to transfer and store its sulphuric acid. Chemtrade's corporate head office is located in Toronto, Ontario in leased premises.

Facility Location	Manufactured Products	Services	Ownership Information
Anacortes, Washington	Sulphuric acid Regen acid	Hydrogen sulphide processing Sulphur Recovery Unit (SRU) operation	Owned
Augusta, Georgia	Sulphuric acid Sodium bisulphite	Steam supply	Owned
Beaumont, Texas	Sulphuric acid Regen acid Sodium bisulphite		Owned
East St. Louis, Illinois	Water treatment chemicals		Owned
Fort Saskatchewan, Alberta (CSC)	Water treatment chemicals Sodium bisulphite	Storage and handling of: Sulphuric acid Marketing of: Aqueous ammonia	Owned
Lawrence, Kansas	Phosphorus pentasulphide		Owned equipment; Leased land
Midlothian, Texas	Potassium chloride Caustic pellets		Owned
Prince George, British Columbia	Sodium chlorate Crude tall oil	Hydrogen supply	Owned equipment; Leased land
Richmond, California	Sulphuric acid Regen acid Ultra pure acid		Owned
Syracuse, New York	Sodium nitrite		Owned
Toledo, Ohio	Sulphuric acid Regen acid	Hydrogen sulphide processing	Owned equipment; Leased land

Facility Location	Manufactured Products	Services	Ownership Information
Tulsa, Oklahoma	Sulphuric acid Ultra pure acid Sodium bisulphite		Owned

7. Environmental, Health and Safety

As a manufacturer and distributor of chemicals, Chemtrade considers environmental issues to be among its highest priorities. Management devotes a significant amount of time and effort to ensuring that Chemtrade not only meets its environmental compliance obligations but also continually improves its environmental performance.

The environmental regulatory framework applicable to Chemtrade imposes significant compliance obligations and risks on Chemtrade. Chemtrade is subject to numerous regulatory requirements in the jurisdictions in which it operates its facilities and in which its products are shipped and sold, including statutes, regulations, by-laws, guidelines and policies as well as permits, licences and other approvals related to the protection of the environment and workers' health and safety, governing, among other things, air emissions, water discharges, non-hazardous and hazardous waste, storage, handling, distribution and transportation of dangerous goods and hazardous materials such as chemicals, remediation of releases and the presence of hazardous materials, the contamination of soil, land use and zoning, and environmental and employee health and safety requirements (collectively, "**EHS Requirements**").

(a) Responsible Care Committee

The Responsible Care Committee is a standing committee of the Fund, consisting of five trustees of the Fund's Board of Trustees. Two members have broad experience running chemical companies and two others are experienced in running manufacturing operations. The Responsible Care Committee meets at least four times per year and during the past six years, has held five meetings at various manufacturing facilities to allow for interaction between the committee and site personnel.

The Charter of the Responsible Care Committee (available at www.chemtradelogistics.com) charges the committee with oversight responsibilities relating to (i) reviewing and providing direction to management with respect to the organization's environmental, health, safety and security philosophy; (ii) monitoring environmental, health, safety and security policies to ensure they are appropriate to mitigate risk and ensure statutory and regulatory compliance; and (iii) monitoring the organization's environmental, health, safety and security performance to ensure compliance with the organization's policies.

(b) Philosophy

In November 2010, the Responsible Care Committee adopted the following as Chemtrade's environmental, health and safety philosophy:

Chemtrade is committed to doing business in a responsible manner guided by the principles of environmental, societal and economic sustainability. Chemtrade believes in the need for continually improving our environmental performance, the safety of our employees and our contribution to the community.

In order to translate the philosophy into Chemtrade's activities and to embed the philosophy into the day-to-day fabric of the organization, management has put into place various policies, systems and tools, which it continues to expand and improve. Acting as a unifying force over these various systems and tools is the RC14001 management system and Responsible Care® ethic. The RC14001 management system is audited annually by a third party auditor. Det Norske Veritas Certification, Inc. has been engaged as auditor since 2010. Chemtrade's compliance to the Responsible Care codes of practice is also verified by a third party every three years and is assessed internally on a quarterly basis by established Responsible Care code teams. An independent verification

was conducted in July 2013 in concert with the RC14001 re-certification of the Chemtrade corporate office. Recently-acquired facilities are excluded from the re-verification process for three years from the date of acquisition. Nonetheless, the facilities acquired pursuant to the General Chemical Acquisition in January 2014 are proceeding with plans and practices to conform to the same codes of practice.

(c) Policies and Systems

Chemtrade has adopted an Environmental, Safety & Health Policy, which is reviewed periodically, most recently by management in August 2014 and by the Responsible Care Committee in November 2014. The Environmental, Safety & Health Policy emphasizes continual improvement in the areas of environmental management, safety and health protection, safe transportation, process safety management and security of Chemtrade processes, products, services and activities. Some of the key activities to achieve these goals include: (i) maintaining a management system that drives continual improvement of its performance in these areas; (ii) developing appropriate site procedures and employee training programs to promote a safe, healthy and secure workplace and the protection of the environment; (iii) maintaining appropriate internal emergency response capabilities and coordinating with external emergency responders to effectively respond to situations that involve Chemtrade products or that may impact its employees and other stakeholders; (iv) undertaking periodic reviews of its assets, operations and activities to measure the organization's performance and compliance with the Environmental, Safety & Health Policy and EHS Requirements; and (v) applying appropriate process safety and risk management principles to all manufacturing processes.

Chemtrade has also adopted a Responsible Care Policy, which is also reviewed periodically, most recently by management in August 2014 and by the Responsible Care Committee in November 2014. As stated in this policy, Responsible Care is Chemtrade's commitment to do and be seen as doing the "right thing". The Responsible Care principles form the basis of Chemtrade's business philosophy towards societal, economic and environmental sustainability.

Chemtrade signed the Global Responsible Care Charter in August 2014, as recommended by the Chemistry Industry Association of Canada (CIAC) of which Chemtrade is a member. This charter, which is not to be confused with the Chemtrade Responsible Care Committee Charter, is an agreement amongst leading chemical companies and federations that form the International Council of Chemical Associations (ICCA) to create a common global vision for Responsible Care. This charter does not establish new legal or Responsible Care requirements for the company, but it does clarify roles, responsibilities and accountabilities of global chemical companies in support of Responsible Care.

Consistent with the Environmental, Safety & Health Policy and the Responsible Care Policy, Chemtrade regularly procures, installs and operates pollution control devices, including wastewater treatment plants and air pollution control devices. Chemtrade also monitors its operations to seek to ensure that it complies with all applicable environmental requirements and standards, and takes action to prevent and correct problems if needed. Chemtrade utilizes its commitment to Responsible Care and its RC 14001 management system to:

- provide early warning of potential problems;
- identify management and cost-saving opportunities;
- ensure ongoing improvement through regular monitoring and reporting; and
- maintain a database of corrective actions and track and verify their implementation.

Chemtrade also analyzes changes to environmental laws and regulations on a regular basis.

Chemtrade's commitment to the Responsible Care ethic and RC14001 demonstrates the importance of environment, health, safety, security and product stewardship in all of its activities. In addition to embracing the Responsible Care ethic and implementing its codes, the Board and management have made the decision to implement the RC14001 standard at Chemtrade's North American and European facilities. RC14001 was chosen because it enables an organization to establish and assess the effectiveness of procedures, to set a policy including objectives, achieve conformance with them, and to demonstrate conformance to others, including interested

external parties. The synergies from the blending of Responsible Care ethics coupled with procedures adherent to the RC14001 standard result in a robust framework on which Chemtrade bases the execution of its operational processes. Commencing in 2009, Chemtrade has pursued third party registration of its RC14001 implementation efforts and has thus far achieved registration at all of its U.S., Canadian and European sites, except those acquired through the General Chemical Acquisition.

(d) Health and Safety

Chemtrade is subject to regulation relating to employee and workplace safety in respect of each of its manufacturing facilities. Chemtrade has put in place specific policies and procedures to enhance safety and responsibly manage safety risks that may be present in its operations. Chemtrade has employees that are responsible for the development and implementation of Chemtrade's environmental, health and safety ("EHS") management systems. Policies, standards and procedures have been developed to define how the EHS management system functions and performance is measured. These are consistent with the Responsible Care Guiding Principles and Codes of Practice, the RC 14001 standards and regulatory requirements. These employees receive training on Chemtrade's EHS management systems, issues specific to their position and their responsibilities in support of this management system.

Chemtrade closely monitors and reports its health and safety performance similar to other key business metrics. Chemtrade's recordable employee incident rate had decreased from 2.28 in 2008 to 1.19 in 2014 for the entire organization. Chemtrade's facilities have received numerous safety awards from its rail carriers for safe handling and transportation of its chemical products.

Chemtrade has in place and will maintain comprehensive Responsible Care and EHS policies directed towards continuous reduction of its environmental impact from its activities and protection of employee safety and health. Management systems, including audit, assessment and reporting elements, have been and will continue to be implemented in support of the policies and to assure compliance with EHS Requirements. Chemtrade believes, based on internal and third-party due diligence reviews, that its activities are and will continue to be in material compliance with those EHS Requirements.

(e) Insurance and Indemnities

Chemtrade maintains insurance that includes coverage for liabilities and costs associated with remediation obligations or property damage arising from present or future operations, or arising in the course of the handling, transportation or distribution of hazardous materials or dangerous goods, such as chemicals. In addition, for a number of Chemtrade's facilities, the previous owners have agreed to undertake certain remediation or have provided indemnification with respect to possible environmental issues. These are described below:

(A) The Tulsa, OK and the Riverton, WY operations were acquired by Chemtrade from Peak Sulfur and by Peak Sulfur from Koch Sulfur Products Company LLC and Koch Microelectronics Service Company, Inc. (collectively, "**Koch**"). Pursuant to Peak Sulfur's purchase agreements with Koch, environmental indemnities from Koch in respect of the Tulsa, OK and Riverton, WY sites remain in force without limit to time and cost and cover remedial action required under environmental laws for releases to the environment occurring prior to April 16, 2002 and off-site liability for transportation and disposal of material prior to April 16, 2002.

(B) The Beaumont, TX and Shreveport, LA operations were acquired by Chemtrade from Peak Sulfur and by Peak Sulfur from Arch Chemicals, Inc. ("**Arch**"). In respect of the Beaumont, TX and Shreveport, LA locations, environmental indemnities in favour of Peak Sulfur from Arch are in effect from July 2, 2003 and survive for 20 years with a cap of US\$22.5 million for liability. These indemnities cover remedial action required under environmental laws as a result of materials used or released prior to July 2, 2003 or that continue to be released after that date, other than claims for materials used or released from the Beaumont, TX plant process sewer system which are only covered if the materials are released prior to June 2, 2008. Additional surviving environmental indemnities from Arch remain in force without

limit to time and cost and cover off-site liability for transportation and disposal of material prior to July 2, 2003.

Based on the environmental assessment performed at the time of acquisition and subsequent periodic EHS audits performed by Chemtrade, Chemtrade believes there are no current material site investigation or remediation obligations with respect to the Beaumont, Shreveport, Tulsa, Riverton or Lawrence sites (the “**BSTRL Sites**”). The facilities in Tulsa, OK; Riverton, WY; and Shreveport, LA were subject to prior investigation and remediation involving portions of each site. Chemtrade does not believe that potential subsurface issues at the BSTRL Sites are likely to trigger material remediation obligations in the future, although there can be no assurance in that regard. Should site investigation or remediation obligations be triggered in the future, Chemtrade believes that most of the investigation and remediation costs would arise from releases that pre-date Peak’s ownership and that are subject to indemnities from prior owners or operators.

(C) Peak Chemical acquired the Lawrence, KS operations pursuant to a purchase agreement with ICL’s predecessor dated December 10, 1999. ICL’s environmental indemnities as they apply to matters at the Lawrence, KS facility remain in force without limit to time and cost, except for incidental, indirect, consequential or punitive damages, which ICL is not liable for, with respect to (a) remedial action required under environmental laws as a result of materials used or released; (b) non-compliance with environmental laws or permits; and (c) liability arising from the shipment of hazardous substances that were generated at the facility by ICL to any off-site location for treatment, storage, disposal, reclamation or recycling, all prior to the closing date of May 1, 2000. The area surrounding the facility in Lawrence, KS is subject to an ongoing remediation being undertaken by Chemtrade’s landlord, ICL.

(f) Recent Activities

- (i) *Certification* – As of December 31, 2014, Chemtrade has completed RC14001 certification of its environmental, health, safety and security programs at 20 of its North American operations and three European operations, being all of the manufacturing sites and offices owned prior to the General Chemical Acquisition. Chemtrade intends to obtain similar certifications at the remainder of its facilities and is actively pursuing this goal.
- (ii) *Audits* - Chemtrade continued its periodic EHS audits conducted by Chemtrade personnel and external resources at its manufacturing facilities and distribution terminals during 2014. Chemtrade intends to conduct such EHS audits of all of its owned facilities on a recurring basis to ensure continued compliance with EHS Requirements. In addition, Chemtrade continued its program to conduct focussed environmental process risk management (“**EPRM**”) audits at its facilities. An EPRM audit is a third party legal and technical evaluation of a site’s environmental performance and systems to address current and anticipated environmental requirements. Three such audits were conducted in 2014.
- (iii) *Consent Decree with EPA*- In January 2009, Chemtrade and Marsulex reached a settlement with the U.S. Environmental Protection Agency (the “**EPA**”), together with the States of Louisiana, Ohio, Oklahoma and the Northern Arapaho Tribe, whereby new emission limitations were established at each of Chemtrade’s five sulphuric acid manufacturing facilities and at Marsulex’s Toledo, OH facility. As a result of the Marsulex Acquisition, all six facilities are now owned by Chemtrade. A Consent Decree was lodged on January 12, 2009 in the U.S. District Court for the Northern District of Ohio and approved by the court on April 2, 2009. The Consent Decree arose from a broader EPA initiative regarding the U.S. sulphuric acid manufacturing industry. Chemtrade’s plants were required to meet these stricter limits by various agreed dates ranging from December 2009 to December 2012. Chemtrade has implemented the required emission technology within the mandated timeframes and to date, emissions have been reduced beyond that required by the Consent Decree. The terms of the Consent Decree provide that each affected

site may apply to terminate its obligations (including the risk of paying stipulated penalties) upon achieving one year's operations in full compliance with the Consent Decree. In 2014, the Shreveport, LA site requested and was granted termination from the Consent Decree, joining the four sites (Tulsa, OK; Cairo, OH; Toledo, OH and Beaumont, TX) granted termination in 2013. Chemtrade's final site located at Riverton, WY will request termination from the Consent Decree in the first quarter of 2015. Once the Riverton site is terminated, all of Chemtrade's obligations under the Consent Decree will have been completed.

- (iv) *Passaic River Litigation* - In February 2009, GenTek Holding, LLC, now Chemtrade Chemicals Corporation ("**GenTek**") was named by original defendants Maxus Energy Corporation ("**Maxus**") and Tierra Solutions, Inc. ("**Tierra**") as a third-party defendant in the lawsuit *New Jersey Dept of Environmental Protection v. Occidental Chemical Corp & Maxus Energy Corp et al.* GenTek was one of approximately 400 additional private and municipal defendants joined to the case in 2009, which concerns liability for the cleanup of approximately 17 miles of sediments in the lower Passaic River and the larger connected area referred to as the "Newark Bay Complex." The contamination at issue is primarily dioxin, and primarily attributed to discharges from a former Diamond Shamrock facility. Maxus and Tierra, now responsible for the liabilities of the Diamond Shamrock facility, sought statutory contribution from each of the third-party defendants based upon each third-party defendant's equitable or pro-rata share of alleged liability.

In December 2013, a settlement was reached with certain third-party defendants including GenTek pursuant to which each would be dismissed from the case in return for a one-time payment of US\$195,000. The settlement does not protect GenTek from possible claims in federal court.

- (v) *Remediation at Thorold, ON* - In January 2014, Thorold Park Redevelopment Inc. commenced an action against General Chemical Performance Products Ltd. (now Chemtrade Chemicals Canada Ltd.) and General Chemical Performance Products LLC (now Chemtrade Chemicals US LLC) in respect of alleged soil and groundwater contamination emanating from the facility in Thorold, ON. The complaint alleges that contaminants have migrated from the Thorold site onto neighbouring land owned by the plaintiff. The plaintiff is claiming for the alleged cost of remediating its land together with punitive damages. The plaintiff has agreed not to pursue the lawsuit while the parties are attempting to find a mutually acceptable resolution.

Chemtrade has developed and maintains business processes focussed on achieving continuous reduction of its impact to the environment.

- (g) Environmental, Health & Safety Risks

Due to the nature of its business, environmental, health and safety issues pose a significant risk for Chemtrade's operations and financial results. These are discussed in greater detail in the sections entitled "Risks Related to the Environment" and "Operating Risks and Product Hazards", both of which are found in the "RISK FACTORS – Risks Related to the Business and Industry" section (sections VI.1.(h) and (m)). As environmental, health and safety issues may have a significant impact on Chemtrade and the communities in which it operates, management of Chemtrade is focussed on this area and a number of programs and initiatives have been implemented to ensure that there is an ongoing focus on these areas and that continuous improvement in environmental, health and safety remains the goal of all employees.

8. Regulatory Matters

- (a) Pond Closure at Various Sites

Several of the Alum manufacturing sites acquired through the General Chemical Acquisition have inactive ponds that received alum process residue ("**APR**") from the manufacturing process. The ponds are in

various stages of closure or planned closure. Closure can be accomplished by removing the APR from the ponds, or by leaving the APR in place and covering the ponds with an engineered cap. The closure method is determined on a site-by-site basis and depends on a variety of factors including receiving the approval of the applicable regulatory agency. The timeline for closure can range from one year to multiple years depending on the size of the pond, the closure method employed, and permit requirements. Chemtrade is working toward closure of all such ponds.

(b) Consent Decree with EPA

As discussed above (see “Description of the Business – Environmental, Health and Safety – Consent Decree with EPA” (section III.7(f)(iii)), Chemtrade has entered into a Consent Decree with the EPA and certain states whereby new emission limitations were established at each of its six U.S. sulphuric acid manufacturing facilities. All of the affected facilities were made compliant with the new emission limits in advance of the date required by the Consent Decree. As a result, emissions have been reduced below that required by the Consent Decree. No Consent Decree violations occurred in 2014.

(c) EPA Section 114 *Clean Air Act* Requests for Anacortes, Richmond and Indianapolis

The EPA has requested and obtained information for the Richmond, CA and Anacortes, WA sulphuric acid manufacturing sites and the Indianapolis, IN alum manufacturing site, pursuant to Section 114 of the *Clean Air Act*. Information for the Anacortes site was submitted in 2009 and no further comment has been received from the EPA since. Information for the Richmond site was submitted in 2011 and 2013 and no further comment has been received from the EPA since. Information for the Indianapolis site was submitted in 2014 and a stack testing report will be submitted in 2015. It is possible that the EPA could pursue a Consent Decree for any alleged non-compliance similar to that agreed to in respect of six Chemtrade sulphuric acid facilities in 2009 (see “Description of the Business - Environmental, Health and Safety – Consent Decree with EPA” (section III.7(f)(iii)) and Regulatory Matters – Consent Decree with EPA (section III.8.(b)).

(d) Greenhouse Gas Emissions

Chemtrade operates in various jurisdictions where there are legislative initiatives relating to greenhouse gas (“GHG”) emissions being considered or adopted. To date there has been no material effect on any of Chemtrade’s facilities and Chemtrade continues to follow developments closely. Although it is difficult to know what final regulations may be passed in the jurisdictions in which Chemtrade’s manufacturing facilities are located, Chemtrade could face increased capital and operating costs to comply with GHG emissions regulations and these costs could be material.

(e) Syracuse NOx Controls

Chemtrade’s Syracuse, NY facility qualifies as a major source for nitrogen oxides (“NOx”) under the *Clean Air Act*. The New York State Department of Environmental Conservation (“NYSDEC”) has taken the position that selective catalyst reduction (“SCR”) is the best available control technology (“BACT”) for reducing NOx emissions at the Syracuse facility. NYSDEC plans to issue a new Title V air permit in 2015 containing requirements for NOx controls which will replace the facility’s existing Title V air permit. Chemtrade is in the process of engineering a NOx control system with a target of installation during 2015.

(f) East St. Louis Groundwater Matter

In June 2011, General Chemical LLC (now Chemtrade Solutions LLC) received a Notice of Violation (“NOV”) from the Illinois Environmental Protection Agency (“IEPA”) in respect of its East St. Louis, IL site. The NOV alleges that certain contaminants in groundwater underlying the site are in excess of State groundwater standards. The IEPA referred the matter to the Office of the Attorney General who has agreed to a civil penalty of US\$90,000 and indicated a willingness to consider mitigating factors to reduce the amount further. On October 31, 2014, Chemtrade submitted a groundwater management zone work plan to the IEPA which includes work to augment the groundwater monitoring system at the facility and to close ponds containing APR and gypsum on a

negotiated timeline. Once approved, the site will be considered to be in compliance with the State groundwater standards. The settlement will be memorialized by a consent order, anticipated sometime in 2015.

(g) Bay Point RCRA Corrective Action and RCRA Closure Plan

The Bay Point, CA facility is subject to corrective action obligations contained in a Hazardous Waste Management Permit issued to the facility and pursuant to the U.S. federal *Resource Conservation and Recovery Act* (“**RCRA**”). General Chemical West LLC (now Chemtrade West US LLC) has been investigating the nature and extent of historic contamination and performing interim remediation steps regarding such contamination at the site for over two decades. The California Department of Toxic Substances Control (“**DTSC**”) provided a draft Corrective Action Consent Agreement (“**CACA**”) to the facility in January 2015 for review and comment. Once finalized, the CACA will memorialize the requirements for additional steps that are necessary to complete characterization and remediation of the soil and groundwater conditions at the site.

The electronic chemicals manufacturing process at the Bay Point, CA facility is scheduled to be decommissioned at the end of March 2015, including the RCRA permitted units. Decommissioning of the RCRA permitted units triggers implementation of a closure plan contained in the RCRA permit. Chemtrade submitted a Notification of Closure to the DTSC in January 2015 to formally begin the process of closing the RCRA permitted units. Implementation of the RCRA closure plan will begin in April 2015 and is anticipated to be completed by March 2016.

(h) Berkeley Heights ISRA Remediation

The Berkeley Heights, NJ facility triggered the requirements of the New Jersey Industrial Site Recovery Act (“**ISRA**”) due to various corporate transactions occurring between 1985 and 2009, as well as due to the General Chemical Acquisition in 2014. As required under ISRA, a General Information Notice and Remediation Certification for the General Chemical Acquisition were submitted to the New Jersey Department of Environmental Protection (“**NJDEP**”) on December 5, 2013 and December 17, 2013, respectively. The facility maintains a remediation funding source (letter of credit) for future ISRA investigation and remediation obligations in the amount of \$250,000, which is the surrogate cost estimate established by NJDEP guidance for sites with groundwater contamination.

A Preliminary Assessment Report and Site Investigation Report submitted to the NJDEP identified a former settling pond and site-wide groundwater as areas of concern requiring further investigation and, if warranted, remediation. Additional investigation of the groundwater is required to assess whether and to what extent any remedial action is necessary pursuant to the requirements of ISRA. It is expected the former settling pond will be remediated over the next ten years by dredging the pond, de-watering the solids, and offsite disposal of the solids.

(i) Delaware Valley 3008(h) Order

An inactive site in Claymont, DE (also known as Delaware Valley) is subject to corrective action obligations pursuant to a Unilateral Administrative Order issued in 2002 by the EPA. The Order mandated that General Chemical Corporation (now Chemtrade Chemicals Corporation) (“**GCC**”) assess and remediate soil and groundwater contamination as a result of historical industrial operations at the site. In 2004, as part of its restructuring in bankruptcy, GCC transferred its obligations to assess and remediate groundwater contamination at the site to the site’s previous owner, Honeywell (successor to Allied Signal), but retained responsibility for assessing and remediating soil contamination at the site. A report was submitted to EPA in 2007 to assess the soil contamination at the site. To date no soil remediation has been required or performed at the site.

There is a stormwater conveyance (sluiceway) which received process wastewater from past operations at the site. The past operations were associated with GCC and Honeywell. GCC and Honeywell conducted a joint interim remedial measure to remediate sediments in the sluiceway in 2012 and 2013, with the EPA’s approval. The sluiceway discharges to the Delaware River. At EPA’s request, GCC and Honeywell agreed to assess the condition of the sediments in the Delaware River near the shoreline. The preliminary assessment results show

that the near shoreline sediments contain arsenic, lead, and pesticides at levels above cleanup goals. Additional sampling is needed to complete the assessment. Once the assessment is completed, GCC and Honeywell will submit a joint interim remedial measure plan to EPA. The interim remedial measure will most likely include capping the near shoreline sediments.

(j) Tank Car Corporation of America Superfund Site

In May 2011 GCC received a Section 104(e) notice from the US EPA naming it a potentially responsible party (“PRP”) for clean-up of hazardous waste at the Tank Car Corporation of America Superfund Site located in Oreland PA. 85 other PRP’s have been named. GCC responded to the Section 104(e) notice in September 2011. No further inquiries have been received from the US EPA or any other party on this matter since September 2011.

9. Employees

As at December 31, 2014, Chemtrade employed approximately 1200 employees. As at December 31, 2014, labour unions represented 328 employees and Chemtrade was a party to 28 collective bargaining agreements with respect to those unionized employees. The expiry dates of the collective bargaining agreements range from June 2014 through May 2019. Chemtrade believes that labour relations relating to the business have been very positive, with no strikes experienced to date.

10. Credit Facilities

Chemtrade entered into a secured credit agreement dated as of January 23, 2014 with The Bank of Nova Scotia as Administration Agent and Bank of Montreal as Syndication Agent, and the institutions named therein as lenders providing for senior credit facilities in the aggregate amount of US\$1.0 billion (approximately \$1.096 billion) (the “Credit Facility”) as follows: (i) US\$600 million (approximately \$658 million), representing a five-year non-renewable term loan; and (ii) US\$400 million (approximately \$438 million) revolving credit facilities, which mature in January 2019. The Credit Facility was amended on July 24, 2014 to reduce the facilities available under the term loan by US\$100 million and to increase the facilities available under the revolving credit facility by the same amount.

The Credit Facility is secured by a guarantee of the Fund limited in recourse to the securities of Chemtrade and by full recourse guarantees from, and security interests in all or substantially all of the assets of Chemtrade and its subsidiaries. The Credit Facility ranks senior to all other indebtedness of Chemtrade (including the Notes) and is subject to customary terms, conditions, covenants and other provisions. These covenants include, among other things, restrictions on the ability of the Fund and its subsidiaries to make distributions.

Borrowings under the Credit Facility may be made in Canadian or U.S. dollars, by way of Canadian dollar prime rate, U.S. dollar base rate, New York prime rate, LIBOR or bankers acceptance advances, plus, in each case, an applicable margin. The interest rate applicable to each type of advance varies depending on Chemtrade’s ratio of Net Debt to EBITDA (both terms as defined in the Credit Facility).

In connection with the Marsulex Acquisition, Chemtrade assumed debt in the principal amount of \$27.4 million secured on the Fort McMurray facility assets. This is an amortizing loan with monthly principal repayments due until December 2019. As at December 31, 2014, \$18.4 million was outstanding.

IV. RECENT DEVELOPMENTS

1. Equity Offering

On December 5, 2014, the Fund completed a public offering of 5,405,000 Units (including the exercise in full of the underwriters’ overallotment option), for total proceeds of \$115,126,500. The Fund used the proceeds to repay long term debt.

2. Sale of Montreal East Business

On July 17, 2014, Chemtrade sold its Montreal East business to Suncor Energy Products Inc. for approximately \$120 million. The proceeds of the sale were used to repay long-term debt. The sulphur and SBS

produced by the Montreal East facility continues to be marketed by Chemtrade pursuant to contractual arrangements with Suncor Montreal Sulphur Plant Limited Partnership.

3. Convertible Debentures

The 2014 Debentures were issued at a price of \$1,000 per 2014 Debenture, with \$110 million closing on June 10, 2014 and an additional \$16.5 million closing on June 16, 2014 pursuant to an over-allotment option. The 2014 Debentures mature on December 31, 2021 and accrue interest at the rate of 5.25% per annum payable semi-annually in arrears. At the holder's option, the 2014 Debentures may be converted into Units at any time prior to the earlier of the maturity date and the date of redemption specified by the Fund at a price of \$28.00 per Unit. The 2014 Debentures are not redeemable before June 30, 2017. On or after June 30, 2017 and prior to June 30, 2019, the Fund has the option to redeem all or part of the 2014 Debentures provided the volume weighted average trading price is not less than 125% of the conversion price. On or after June 30, 2019 and prior to the maturity date, the Fund has the option to redeem all or part of the 2014 Debentures at par plus accrued and unpaid interest.

4. General Chemical Acquisition

As discussed under "GENERAL DEVELOPMENT OF THE BUSINESS – "General Chemical Acquisition"(section II.6), on January 23, 2014, Chemtrade completed the purchase of the businesses of General Chemical Holding Company for approximately \$941.5 million (US\$858.9 million) in cash, subject to certain adjustments. The business combination was structured as a share acquisition and was financed through a combination of an underwritten equity offering and syndicated senior secured credit facilities (see "Description of the Business - Credit Facilities" (section III.10)). Chemtrade completed an equity offering of 18,170,000 Units for total proceeds of \$345.2 million.

V. STRUCTURE OF THE FUND

1. Declaration of Trust

The Fund is a limited purpose trust established under the laws of the Province of Ontario, governed by the Declaration of Trust. The Declaration of Trust was amended and restated on May 27, 2004 in order to take into account the more complex structure of the Fund and to facilitate future acquisitions by the Fund. These amendments to the Declaration of Trust were approved at the Fund's 2003 Annual Meeting of Unitholders held on May 27, 2004. The Declaration of Trust was also amended by the Trustees by the First Supplemental Declaration of Trust dated August 2, 2005 in connection with the Peak Acquisition and the Second Supplemental Declaration of Trust dated March 6, 2012 as a result of changes in Canadian tax law.

Unitholders have all of the material protections, rights and remedies a shareholder would have under the *Business Corporations Act (Canada)*, other than the right to bring "oppression" or "derivative" actions. These protections, rights and remedies are contained in the Declaration of Trust. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust, which does not purport to be complete. Reference should be made to the Declaration of Trust (available at www.sedar.com) for a complete description of the Units and the full text of its provisions.

2. Activities of the Fund

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

- (i) investing in securities, including those issued by Chemtrade;
- (ii) temporarily holding cash in interest-bearing accounts, short-term government debt or investment grade corporate debt for the purposes of paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units and making distributions to Unitholders;

- (iii) issuing Units and securities convertible into or exchangeable for Units for cash or in satisfaction of any non-cash distribution or in order to acquire securities including those issued by Chemtrade;
- (iv) issuing debt securities or borrowing funds, including letters of credit, bank guarantees and bankers' acceptances, and granting security in respect of any of the foregoing;
- (v) guaranteeing the obligations of Chemtrade or any affiliate of the Fund (as such term is defined in the Declaration of Trust) pursuant to any good faith debt for borrowed money incurred by Chemtrade or the affiliate, as the case may be, and pledging securities issued by Chemtrade or the affiliate, as the case may be, as security for such guarantee;
- (vi) issuing rights and Units pursuant to any Unitholder rights plan adopted by the Fund;
- (vii) purchasing securities pursuant to any issuer bid made by the Fund; and
- (viii) undertaking such other activities, or taking such actions, including investing in securities as shall be approved by the Trustees from time to time;

provided that the Fund shall not undertake any activity, take any action, or make any investment which would result in the Fund not being considered a "mutual fund trust" for purposes of the *Income Tax Act (Canada)* (as amended, including the regulations promulgated thereunder, the "**Tax Act**") or would result in the Units being foreign property for the purposes of the Tax Act.

3. Units

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

4. Issuance of Units

The Declaration of Trust provides that the Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a pro rata basis. The Declaration of Trust also provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

5. Trustees

The Fund has six Trustees whose responsibility is to supervise the activities and manage the affairs of the Fund. As of the date of this AIF, the Trustees are David Colcleugh, Lucio Di Clemente, Mark Davis, David Gee, Susan McArthur and Lorie Waisberg (Chair).

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and conduct the affairs of the Fund. The Trustees are responsible for, among other things: (i) acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of the Fund's subsidiaries; (ii) maintaining records and providing reports to Unitholders; (iii) supervising the activities of the Fund; (iv) effecting payments of distributable cash from the Fund to Unitholders; and (v) voting in favour of the Fund's nominees to serve as directors of the Fund's subsidiaries. The Trustees have the right to approve the adoption of a Unitholder rights plan if such Trustees determine in good faith that such action is appropriate. Such Unitholder rights plan shall be effective as at the date of such adoption. Such

Unitholder rights plan will terminate six months from the date of such adoption unless ratified and confirmed by the Unitholders in accordance with the Declaration of Trust.

The Declaration of Trust provides that the Trustees shall act honestly and in good faith with a view to the best interests of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that the Trustees shall be entitled to indemnification from the Fund in respect of the exercise of their power, and the discharge of their duties provided that they acted honestly and in good faith with a view to the best interests of all the Unitholders.

6. Cash Distributions

The amount of cash to be distributed monthly per Unit to the Unitholders is determined in the discretion of the Trustees. Pursuant to the Declaration of Trust, the Trustees may declare payable all or any part of the cash flow of the Fund for a given distribution period less any amount which the Trustees may reasonably consider to be necessary to provide for the payment of any costs which have been or will be incurred in the activities and operations of the Fund and to provide for the payments of any income tax liability of the Fund.

The cash flow of the Fund for such purposes is equal to a pro rata share of interest and principal repayments on the Notes and dividends or distributions on or in respect of the Shares less: (i) administrative expenses and other obligations of the Fund; (ii) amounts which may be paid by the Fund in connection with any cash redemptions of Units; and (iii) any other interest expense incurred by the Fund between distributions. The Fund may make additional distributions in excess of the monthly distributions during the year, as it sees fit, in its sole discretion, including distributions out of any principal repaid on the Notes.

Any income of the Fund which is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution will be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Distributions are paid on the last business day of each month to Unitholders of record on the last day of the preceding month. If such day is not a Business Day (as defined in the Declaration of Trust), they are paid on the next following Business Day or such other date determined by the Trustees.

7. Redemption Right

Units are redeemable at any time on demand by the holders thereof. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit equal to the lesser of: (i) 90% of the “market price” of the Units on the principal market on which the Units are quoted for trading during the 10 trading day period commencing immediately subsequent to the date on which the Units were surrendered for redemption (the “**Redemption Date**”); and (ii) 100% of the “closing market price” on the principal market on which the Units are quoted for trading on the Redemption Date.

The specific mechanics of such redemptions are set out in detail in the Declaration of Trust.

8. Meetings of Unitholders

Meetings of Unitholders will be called and held annually for the election of Trustees and the appointment of auditors of the Fund. The Declaration of Trust provides that the Unitholders shall be entitled to pass resolutions that will bind the Fund only with respect to the election or removal of Trustees of the Fund, the appointment or removal of the auditors of the Fund, the appointment of an inspector to investigate the performance by the Trustees with regard to their respective responsibilities and duties in respect of the Fund, the approval of amendments to the Declaration of Trust (except as described below under “Structure of the Fund - Amendments to the Declaration of Trust” (section V.10)), the sale of all or substantially all of the assets of the Fund, the exercise of certain voting rights attached to the securities of Chemtrade held by the Fund (see “Structure of the Fund - Exercise of Certain Voting Rights Attached to Securities of Chemtrade” below (section V.13)) and

the dissolution of the Fund prior to the end of its term. A resolution electing or removing nominees of the Fund to serve as directors of the Fund's subsidiaries and a resolution appointing or removing the Trustees or the auditors of the Fund must be passed by a simple majority of the votes cast by Unitholders. The balance of the foregoing matters must be passed by a special resolution.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

9. Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act ("Non-Residents"). Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of a majority of the Units. The Fund periodically requests information regarding the residence status of its Unitholders from the Transfer Agent. The Declaration of Trust contains provisions that address the threat or occurrence of this situation. If the Trustees become aware that beneficial owners of the 49% of the Units then outstanding are, or may be, Non-Residents, the Transfer Agent shall only transfer Units to proven residents. If there is a majority Non-Resident ownership, the Trustees may require Non-Residents (chosen in inverse order to the order of acquisition or registration or such other manner as the Trustees deem equitable and practicable) to sell their Units within a specified period of not less than 60 days. The Trustees shall not be liable for any violation of the Non-Resident ownership restriction which may occur.

10. Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by special resolution of the Unitholders. The Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Fund;
- (b) which, in the opinion of counsel to the Trustees, provide additional protection for Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders; and
- (d) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in Canadian taxation laws.

11. Term of the Fund

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on May 17, 2001. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind up the affairs of the Fund so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of the Fund, the Unitholders may by special resolution require the Trustees to commence to wind up the affairs of the Fund.

The Declaration of Trust contains provisions which address the mechanics of winding up the affairs of the Fund.

12. Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates

or affiliates of the offeror) which are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the take-over bid on the terms offered by the offeror.

13. Exercise of Certain Voting Rights Attached to Securities of Chemtrade

The Declaration of Trust provides that the Fund shall not vote the Shares and Notes to authorize, among other things:

- (a) any sale, lease or other disposition of all or substantially all of the assets of any of the Fund's subsidiaries, except in conjunction with an internal reorganisation;
- (b) any amalgamation, arrangement or other merger of any of the Fund's subsidiaries, except in conjunction with an internal reorganisation;
- (c) any material amendment to the note indenture of any of the Fund's subsidiaries; and
- (d) any material amendment to the articles of any of the Fund's subsidiaries to change the authorized share capital in a manner which may be prejudicial to the Fund;

without the authorization of the Unitholders by special resolution.

14. Information and Reports

The Fund will furnish, in accordance with and subject to applicable securities laws, to Unitholders such consolidated financial statements of the Fund (including quarterly and annual consolidated financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) with all such information as is required by applicable law and the Declaration of Trust.

The Fund's subsidiaries have each agreed to provide the Fund with: (i) a report of any material change that occurs in its affairs in form and content that it would file with the applicable regulatory authorities as if it were a reporting issuer; and (ii) all financial statements that it would be required to file with the applicable regulatory authorities as if it were a reporting issuer under applicable securities laws. All such reports and statements will be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements as required under applicable securities laws.

VI. RISK FACTORS

The Fund and Chemtrade face the following risks:

1. Risks Related to the Business and the Industry

(a) Reliance on Significant Producers

Chemtrade is dependent upon certain significant Producers, in particular, Vale, Climax and Sherritt. There can be no assurance that Chemtrade will maintain its relationship with any particular Producer or continue to provide services to any particular Producer at current levels. A loss of any significant Producer, or a decrease in the provision of services to any such Producer could, in the short term, adversely affect Chemtrade's business until alternative supply arrangements are secured. In addition, there is no assurance that any new supply agreement entered into by Chemtrade will have terms as favourable as those contained in current supply arrangements and the failure to obtain such favourable terms could have a material adverse effect on Chemtrade's business, financial condition and results of operations. In addition to the foregoing, certain significant events affecting the operations of Chemtrade's major Producers could adversely affect Chemtrade's operations.

(b) Reliance on Special Relationships

At several of its facilities, Chemtrade is connected to a supplier or a customer by pipeline, and in some cases, there are shared services or facilities between the Chemtrade's facility and the adjacent facility. The material facilities that are either pipeline connected to major customers or suppliers or share services are Lawrence, KS; Prince George, BC (sodium chlorate); Fort McMurray, AB; Richmond, CA; Augusta, GA; Toledo, OH (sulphuric acid); Beaumont, TX; and Anacortes, WA. There can be no assurance that Chemtrade will maintain its relationship with any particular adjacent facility or continue to obtain supply from, or serve, a customer or supplier at current levels. In addition, there is no assurance that any new agreement entered into by Chemtrade for supply, purchase or shared services or facilities will have terms as favourable as those contained in current arrangements and the failure to obtain such favourable terms could have a material adverse effect on Chemtrade's business, financial condition and results of operations.

(c) Reliance on Major Customers and Multi-Year Agreements

While Chemtrade has many customers, certain of them generate a significant portion of revenue. These include Chevron, as well as the customers of the facilities listed in section (b) above (see "Risk Factors - Reliance on Special Relationships" (section VI.1(b))). A loss of one or more of these customers could have a material adverse effect on Chemtrade's business. Many of Chemtrade's customer contracts are multi-year agreements. However, there can be no assurance that notice of termination will not be given or that such contracts will be renewed at the end of the term.

(d) Contract Renewal

Chemtrade enters into contracts with Producers for terms ranging from one to 10 years and with customers for terms typically ranging from one to seven years. Although some of those contracts are renewable (or renew automatically unless notice of termination is given), there can be no assurance that such contracts will be renewed (or that notice of termination will not be given). The failure of Chemtrade to renew those contracts could materially adversely affect its results of operation. In particular, Chemtrade has entered into certain arrangements under which it makes capital expenditures in connection with certain contracts. If the applicable Producer or customer fails to renew its contract, Chemtrade may have surplus facilities.

(e) Risks Associated with Industry Over-Capacity

Industry over-capacity in any of the products marketed by Chemtrade may adversely affect Chemtrade's prices of products and, accordingly, its revenue, net profit and margins.

(f) Commodity Price and Raw Material Exposure

Industrial chemicals sold by Chemtrade are subject to market price fluctuations. Although Chemtrade generally seeks to enter into contracts with its Producers to share or eliminate the risk of changes in selling prices on Commercial By-Products, no assurance can be given as to Chemtrade's continued ability to enter into such contracts nor do such contracts apply to all of the products Chemtrade sells. In addition, whether or not Chemtrade has entered into such contracts, market price fluctuations could have a material adverse effect on Chemtrade's financial condition and results of operations. Chemtrade also utilizes a number of raw materials which are subject to price fluctuations beyond its control. Market price fluctuations of these raw materials could have a material adverse effect on Chemtrade's financial condition and results of operations. There can be no assurance that the price of Chemtrade's raw materials will not increase in the future nor that Chemtrade will be able to pass on such increases to its customers. There has generally been a lag time before such increases and decreases could be passed on to Chemtrade's customers. A significant increase in the price of raw materials that cannot be passed on to customers could have a material adverse effect on Chemtrade's results of operations and financial condition. Chemtrade has a number of key raw materials. There may be a risk associated with limited availability of such raw materials in the event one of its suppliers fails to perform or ceases production of such raw material. Either event could have a material adverse effect on Chemtrade's results of operations and financial condition.

(g) Reliance on Certain Industries

Current global economic conditions have been characterized by increased volatility and uncertainty, making demand forecasts for all Chemtrade's products uncertain. Significant portions of the products Chemtrade sells are dependent upon certain industries including petroleum refineries, newsprint, pulp, paper, auto lubricants and base metals. To the extent that any one of these industries has a significant reduction in demand or throughput this may have an adverse effect on Chemtrade's financial condition and results of operations.

(h) Operating Risks and Product Hazards

Chemtrade's revenues are dependent on the continued operation of its manufacturing facilities, its major Producers and suppliers and its customers for whom it distributes its products. The operation of manufacturing plants involves many risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The operations of Chemtrade, its major Producers and customers are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials, including Commercial By-Products, sulphur and industrial chemicals. These hazards can cause fatal personal injury, severe damage to and destruction of property and equipment and environmental damage. In addition, certain of the products produced by Chemtrade may cause adverse health consequences. Accordingly, Chemtrade may be subject to future risks associated with product liability claims. A successful class action proceedings or series of claims in respect of product liability or due to exposure from product release against Chemtrade in excess of its insurance coverage could have a material adverse effect on Chemtrade's business, financial condition and results of operations. 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 such materials. Furthermore, Chemtrade, its major Producers and customers also have exposure to present and future claims with respect to workplace exposure, workers' compensation and other matters. There can be no assurance as to the actual amount of these liabilities or the timing thereof. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on Chemtrade's business, results of operations and financial condition, including increased capital expenditures.

(i) Transportation

Chemtrade relies heavily on rail and truck transportation to deliver its products and obtain raw materials for its manufacturing facilities. While Chemtrade has in place an insurance program which includes coverage for accidental spills or releases during transportation, there can be no assurance that such insurance will be adequate to compensate for any losses incurred as a result of such spills or releases, which could in turn have a material adverse effect on Chemtrade's business, financial condition or future prospects.

(j) Risks Associated with Capital Expenditures

Chemtrade's management provides projections of the expected level of capital expenditures related to its manufacturing operations. There is a risk that the quantum of actual capital expenditures and the timing thereof may differ from these projections. Additionally, there is a risk of ineffective capital utilization in the execution of these capital projects.

(k) Labour

Chemtrade has not suffered any loss of production due to work stoppages by its employees during its history, but there is a risk that this may occur. In addition, a large number of Chemtrade's Producers and customers have a number of employees who are represented by collective agreements and may be subjected to work stoppages.

While the current collective agreements were negotiated without any labour disruptions or downtime, there can be no assurance that Chemtrade will continue to have good relations with its employees or that new collective agreements will be entered into without work interruption. Any lengthy work interruptions could have a material adverse impact on the business' financial condition and results of operations.

(l) Risks of Pending and Future Legal Proceedings and Regulatory Proceedings

Alleged failure by Chemtrade to comply with laws and regulations may lead to the imposition of fines, penalties, or the denial, revocation or delay of the renewal of permits and licenses by governmental authorities. In addition, governmental authorities as well as third parties may claim that Chemtrade is liable for environmental damages. Furthermore, Chemtrade may be the subject of litigation by customers, suppliers and other third parties. A significant judgment against Chemtrade, the loss of a significant permit or other approval or the imposition of a significant fine or penalty or the inability to bid on municipal or industrial tenders could have a material adverse effect on Chemtrade's business, financial condition and future prospects. In addition, certain of the products produced by Chemtrade may cause adverse health consequences. Certain jurisdictions have imposed strict liability regimes. Accordingly, Chemtrade may be subject to future risks associated with product liability claims. A successful class action proceedings or series of claims in respect of product liability or due to exposure from product release against Chemtrade in excess of its insurance coverage could have a material adverse effect on Chemtrade's business, financial condition and results of operations. Litigation is expensive, time consuming and may divert management's attention away from the operation of the business.

(m) Risks Related to the Environment

(i) Environmental Risks and Related Matters

(A) Environmental Risks

(1) *Litigation risk*

The operations of Chemtrade, its major Producers and customers are subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials, including Commercial By-Products, sulphur and industrial chemicals. These hazards can cause fatal personal injury, severe damage to and destruction of property and equipment and environmental damage. Governmental authorities as well as third parties may claim that Chemtrade is liable for environmental damages. Furthermore, Chemtrade may be the subject of litigation by customers, suppliers and other third parties. A significant judgment against Chemtrade, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could have a material adverse effect on Chemtrade's business, financial condition and future prospects. In addition, certain of the products produced by Chemtrade may cause adverse health consequences. Accordingly, Chemtrade may be subject to future risks associated with product liability claims. A successful class action proceedings or series of claims in respect of product liability or due to exposure from product release against Chemtrade in excess of its insurance coverage could have a material adverse effect on Chemtrade's business, financial condition and results of operations. Litigation is expensive, time consuming and may divert management's attention away from the operation of the business. 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 such materials. Furthermore, Chemtrade, its major Producers and customers also have exposure to present and future claims with respect to workplace exposure, workers' compensation and other matters. There can be no assurance as to the actual amount of these liabilities or the timing thereof.

Apart from those matters discussed under "Description of the Business - Environmental, Health & Safety – Recent Activities (Section III.7(f)), Chemtrade is not currently subject to litigation regarding environmental matters, but may in future be involved in disputes regarding environmental matters which may result in litigation. The results of litigation cannot be predicted. If the company is not able to resolve the litigation and disputes favourably, there may be a material adverse impact on its financial condition, cash flows and results of operations.

Chemtrade is not aware of any environmental litigation outstanding, threatened or pending against it as of the date hereof that would be material to its financial condition, cash flows and results of operations.

(2) *Regulatory risk*

Chemtrade is subject to the numerous Environmental Requirements as described above (see "Description of the Business - Environmental, Health and Safety" (section III.7)). These various laws and regulations require

the company to obtain various environmental registrations, licenses, permits, inspections and other approvals in order to operate. The loss or delay of a significant permit or license could have a material effect on operations and revenues. As a result of Chemtrade's operations, they are or may be involved from time to time in administrative and judicial proceedings and inquiries relating to EHS Requirements. Future proceedings or inquiries could have a material adverse effect on Chemtrade's business, financial condition and results of operations. In addition, changes to existing EHS Requirements or the adoption of new EHS Requirements in the future, including limitations regarding GHG emissions, changes to the enforcement of EHS Requirements, as well as the discovery of additional or unknown conditions at facilities owned, operated or used by Chemtrade, could require expenditures which might materially affect Chemtrade's business, financial condition and results of operations, to the extent not covered by indemnity, insurance or a covenant not to sue.

Other than the matters described under "Description of the Business -Environmental, Health and Safety – Regulatory Matters" (section III.8), Chemtrade is not aware of any environmental regulatory proceeding outstanding, threatened or pending against it as of the date hereof that would be material to its financial condition, cash flows and results of operations. However, there is uncertainty around the impact of environmental laws and regulations, including those currently in force and proposed laws and regulations. It is not possible to predict the outcome and nature of certain of these requirements on Chemtrade and its business at the current time. However, failure to comply with current and proposed regulations can have a material adverse impact on Chemtrade's business and results of operations by substantially increasing its capital expenditures and compliance costs, its ability to meet its financial obligations, including debt payments and the payment of dividends. It may also lead to the modification or cancellation of operating licenses and permits, penalties and other corrective actions.

(3) *Physical risk*

Chemtrade's revenues are dependent on the continued operation of its manufacturing facilities, its major Producers and suppliers and its customers for whom it distributes its products. The operation of manufacturing plants involves many risks, including the failure or substandard performance of equipment, natural disasters, power outages, suspension of operations and new governmental statutes, regulations, guidelines and policies, as well as human error. The operations of Chemtrade, its major Producers and customers are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials, including hydrogen sulphide, liquid SO₂, SHS powder, sodium chlorate, hydrofluoric acid, sulphuric acid, oleum, phosphorus pentasulphide, carbon disulphide and anhydrous ammonia. A product spill or emission at one of Chemtrade's facilities or during transportation could have severe consequences on the environment and surrounding community. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on Chemtrade's business, results of operations and financial condition, including increased capital expenditures.

The Gulf Region of the southern United States is susceptible to hurricanes and other extreme weather events and several facilities are located there. In two of the last nine years, the Beaumont, TX and Shreveport, LA facilities have been directly affected by hurricanes and in 2005 and 2008, the Beaumont facility suffered property damage and business interruption as a result of hurricanes, but was able to collect under its insurance policies on both occasions. The Newark, NJ facility suffered property damage and business interruption as a result of Hurricane Sandy in 2013, but was able to collect under its insurance policy. Certain of Chemtrade's facilities are located in regions that experience extreme cold, winter storms or other severe weather conditions. Such extreme weather events can impact the ability to operate Chemtrade's facilities. Furthermore, there is a risk that Chemtrade's customers, including the regen acid refinery customers located in the Gulf Region, could also be impacted by extreme weather events. Northern California is susceptible to earthquakes and Chemtrade has two facilities located in Richmond, CA and Pittsburg, CA. The facilities in northern California conduct seismic surveys of the entire site every five years and repair any deficiencies. Furthermore, these facilities have completed seismic upgrades to structures and equipment to meet new standards, as required. For example, new foundations and structural supports are designed to seismic zone 4 requirements. Neither California facility has suffered any property damage or business interruption as a result of an earthquake since General Chemical was formed in 1986. Any of these events would result in lower revenues to Chemtrade.

(4) *Reputational risk*

Given Chemtrade's commitment to the Responsible Care ethic, a number of community outreach initiatives have been undertaken in order to develop a partnership with the communities in which Chemtrade's facilities are located. Each manufacturing facility has developed an Emergency Response Plan in conjunction with the local emergency services and each facility provides information to the surrounding community members so that its neighbours are provided with information regarding plant operations and hazards. Nonetheless, actual or perceived violations of environmental laws and regulations or spills or accidents could adversely affect Chemtrade's reputation and potentially impact its customers' demand for products.

(5) *Risks relating to Business Model*

To date, Chemtrade's SPPC segment has been the beneficiary of environmental laws that require industrial producers, such as base metal smelters and petroleum refineries, to collect, remove, store, handle and transport their Commercial By-Products in compliance with such laws. These industrial producers have chosen to partner with Chemtrade for such expertise. However, the demand for Chemtrade's services or products may be adversely affected by the amendment or repeal of laws or by changes to the enforcement policies of the regulatory agencies concerning such laws. As well, industrial producers could choose in future to carry out such operations themselves.

Although ECF pulp bleaching technology, which currently gives market preference to the use of sodium chlorate, is currently the industry preferred method of pulp bleaching, alternative processes may overtake ECF as the preferred methodology. Additionally, pulp and paper producers have become more efficient in their use of chlorine dioxide in the pulp bleaching process, and although Chemtrade has not been negatively impacted in a material way to date, an increased efficiency in the use of chlorine dioxide may reduce the demand for sodium chlorate and negatively impact the sales of sodium chlorate by Chemtrade.

While Chemtrade produces various different water treatment chemicals, Alum is its primary product and there is a risk that customers may substitute other water treatment chemicals in place of Alum which Chemtrade is unable to supply, or is unable to supply to the customer location on an economic basis. Replacement by customers of Alum with other products would negatively impact Chemtrade's WSSC segment.

Risk mitigation is key to Chemtrade's business model. One of the ways that Chemtrade has mitigated environmental risks when acquiring assets and land is by obtaining environmental indemnifications from vendors. These are discussed under "Description of the Business - Environmental, Health & Safety – Insurance and Indemnities" (section III.7(e)). However, there are limitations in connection with these indemnities.

The Peak Acquisition agreements for Peak Sulfur and Peak Chemical do not include any indemnification rights for Chemtrade Sulphur US Holding Inc. and Chemtrade Logistics Inc. ("**Chemtrade Logistics**") (collectively, the "**Buyer Group**") except for indemnification rights relating to certain tax matters and certain indemnities from prior owners or operators. For all other matters, the Buyer Group's ability to seek damages for breach of any provision of the Peak Acquisition agreements by the sellers of Peak Sulfur and Peak Chemical (the "**Peak Sellers**") is limited to bringing a fraud claim which would require the Buyer Group to meet a stricter standard (including proving knowledge and intention on part of the defendant) compared to the standard applicable to an action for breach of contract.

(B) Trends and Uncertainties

(1) *Potential Cost Increases Associated with Transportation*

Government agencies in both the U.S. and Canada with regulatory oversight for tank car design have proposed legislation to modify tank car design for toxic inhalation hazard ("**TIH**") tank cars. The tank car design changes are expected to significantly increase lease costs for the redesigned or retrofitted liquid SO₂ tank cars and therefore increase overall transportation costs to Chemtrade, although the exact quantum of that increase cannot be estimated at this time. It may not be possible to pass on to our customers or suppliers any increased transportation costs for our products resulting from any of the above changes. Increased transportation costs for

TIH products, if passed on to customers, would also affect Chemtrade as a customer for the TIH product anhydrous ammonia (one of the key raw materials for sodium nitrite).

In addition, railroads continue to increase the rates to transport liquid SO₂ higher than other products, due to their ongoing liability concerns with TIH rail shipments.

Chemtrade continues to monitor the situation through industry associations such as the Chemistry Industry Association of Canada (“CIAC”) and the American Chemistry Council, and with other CIAC members, is participating in a challenge to the liability provisions contained in the tariff of one of the railways.

There has been increased regulatory focus on shipment of hazardous products by rail and Chemtrade cannot predict the additional requirements and resulting costs that may result. These costs could have a material adverse effect on Chemtrade’s business, results of operations and financial condition, including increased capital expenditures.

(2) *Potential for Stipulated Penalties under the Consent Decree*

As described above (see “Description of the Business - Environmental, Health and Safety – Consent Decree with EPA” (section III.7(f)(iii)) and “Regulatory Matters – Consent Decree with EPA” (section III.8.(b)), one of Chemtrade’s U.S. sulphuric acid plants (Riverton, WY) continues to be required to meet certain emission levels as agreed with the US EPA under the Consent Decree. Chemtrade will be forced to pay stipulated penalties in varying amounts in the event that the emission levels are not met under the conditions set out in the Consent Decree. The penalties are structured in such a way that they can accumulate if the emission levels are not met over a period of time and the amount of the penalties in such case could be material. The amounts of the penalties and the conditions under which they are payable are set out in the Consent Decree, available at: <http://www.epa.gov/compliance/resources/decrees/civil/caa/chemtrade-cd.pdf>.

(C) Environmental Liabilities

(1) *Environmental Estimates Reflected in Financial Statements*

Environmental liabilities are recorded when it is considered likely that a liability has been incurred at the date of the financial statements and the amount of the liability can be reasonably estimated. As at December 31, 2014, the Fund has recorded a \$55.2 million provision for environmental, remedial and similar obligations. This provision is related to environmental remediation activities at the sites acquired from General Chemical (see “Description of the Business – Regulatory Matters – Pond Closure at Various Sites (section III.8(a)).

Chemtrade is subject to EHS Requirements in numerous jurisdictions. Significant judgment is required in determining the provision for environmental remediation. Chemtrade constantly monitors its sites to ensure compliance with EHS Requirements and to assess the liability arising from the need to adapt to changing legal and regulatory demands. Chemtrade recognizes liabilities for environmental remediation based on the latest assessment of the environmental situation of the individual sites and the most recent requirements of the applicable legislation. The eventual timing and costs for these liabilities could differ from current estimates and could have a material adverse effect on Chemtrade’s financial position.

(2) *Potential Environmental Liabilities Not Reflected in Financial Statements*

Chemtrade may be subject to remedial environmental and litigation costs resulting from potential unknown and unforeseeable environmental impacts arising from the company’s operations. While these costs have not been material to the company in the past, there is no guarantee that this will continue to be the case in the future.

Given the nature of the company’s business, there are inherent risks of product spills occurring at the company’s facilities, at customers’ facilities or during transportation. To prevent and/or mitigate potential environmental liabilities from occurring, Chemtrade has policies and procedures designed to prevent and contain spills, which includes employee training in emergency response capability, and regular upgrades to facilities and equipment.

(D) Asset Retirement Obligations

Asset retirement obligations (“**AROs**”) result from the acquisition, development, construction and ordinary operation of manufacturing property, plant and equipment, and from environmental regulations set by regulatory authorities. AROs include costs related to government regulations surrounding cleanup requirements upon abandonment of the site and the removal and/or demolition of manufacturing equipment (i.e. aboveground or underground storage tanks), buildings and other infrastructure.

The Fund estimates the fair value of AROs and has recognized a liability at December 31, 2014 of \$4.8 million. The fair value of AROs are estimated using a present value technique and is based on existing laws, contracts or other policies and current technology and conditions. The estimates or assumptions required to calculate the fair value of AROs include, among other items, abandonment and reclamation amounts, inflation rates, credit-adjusted risk free rates and timing of retirement of assets. The following significant assumptions were made for the purpose of estimating AROs:

Assumption	2014	2013
Undiscounted abandonment costs (in thousand \$))	10,445 ⁽¹⁾	9,974 ⁽¹⁾
Credit adjusted risk free rate	7.04%	7.07%
Inflation rate	2.14%	2.10%
Average years to reclamation	30.3	31.3

NOTE:

⁽¹⁾ Includes USD of \$5,134 (2013 - \$5,134) converted at 1.16 (2013 – 1.06)

AROs are considered accounting estimates for the Fund. There are significant uncertainties related to AROs and the impact on the consolidated financial statements could be material. The eventual timing of and costs for these AROs could differ from current estimates. The main factors that can cause expected cash flows to change are:

- changes to laws and legislation
- construction of new facilities
- changes in the quality of water that affect the extent of water treatment required
- change in the reserve estimate and the resulting amendment to the life of the plant, and
- changes in technology.

In general, as the life of a plant ends, the expected cash flows become more reliable but the estimate of an ARO at the beginning of the plant life, is primarily more subjective. Any future changes to the estimated or actual costs for reclamation and plant closure and for removal and/or demolition of manufacturing equipment, buildings and other infrastructure, could have a material and adverse effect on the Fund’s future operating results.

The Fund does not strictly reserve cash or assets for the purpose of settling AROs. As a result, at the time of closure and restoration of the sites, the Fund will have a significant cash outlay that may affect its ability to satisfy its debt and other contractual obligations. The costs associated with the AROs may be significant and the Fund may not have sufficient or available resources to fund the costs. If the Fund is unable to make these payments, regulatory authorities may take further corrective action with respect to these obligations, including issuing clean-up orders and laying charges.

(1) *Summary Contractual Obligations Table*

Asset retirement obligations for the next 5 years and thereafter are set out below:

	2015	2016	2017	2018	2019 thereafter	Total
AROs	-	-	2,315	-	8,130	10,445
AROs – Amounts presented in the table represent the undiscounted future payments for the expected cost of asset retirement obligations.						

(E) Financial And Operational Effects Of Environmental Protection Requirements

As discussed previously, one of Chemtrade’s plants is subject to the terms and conditions of a Consent Decree with the EPA, including the potential for the imposition of stipulated penalties. (see Risk Factors – Risks Related to the Business and Industry – Risks Related to the Environment – Environmental Risks and Related Matters – Trends and Uncertainties - Potential for Stipulated Penalties under the Consent Decree (section VI.1.(1)(i)(B)(2)).

(ii) Risk Oversight And Management

(A) Environmental Policies Fundamental to Operations

As discussed above (see Description of the Business – Environmental, Health and Safety (section III.7)), Chemtrade has adopted an Environmental, Safety & Health Policy and a Responsible Care Policy (each available at www.chemtradelogistics.com), which are reviewed periodically, most recently in August 2014 by management and in November 2014 by the Responsible Care Committee. The Environmental, Safety & Health Policy emphasizes continual improvement in the areas of environmental management, safety and health protection, safe transportation, process safety management and security of Chemtrade processes, products, services and activities. Some of the key activities to achieve these goals include: (i) maintaining a management system that drives continual improvement of its performance in these areas; (ii) developing appropriate site procedures and employee training programs to promote a safe, healthy and secure workplace and the protection of the environment; (iii) maintaining appropriate internal emergency response capabilities and coordinating with external emergency responders to effectively respond to situations that involve Chemtrade products or that may impact its employees and other stakeholders; (iv) undertaking periodic reviews of its assets, operations and activities to measure the organization’s performance and compliance with the Environmental, Safety & Health Policy, applicable laws, and other requirements; and (v) applying appropriate process safety and risk management principles to all manufacturing processes.

As stated in the Responsible Care policy, Responsible Care is Chemtrade’s commitment to do and be seen as doing the “right thing”. The Responsible Care principles form the basis of the company’s business philosophy towards societal, economic and environmental sustainability. Chemtrade has also adopted an environmental, health and safety philosophy as follows: “Chemtrade is committed to doing business in a responsible manner guided by the principles of environmental, societal and economic sustainability. Chemtrade believes in the need for continually improving our environmental performance, the safety of our employees and our contribution to the community.”

(B) Board Mandate and Committees

The Board Mandate (available at www.chemtradelogistics.com) charges the Fund’s Board of Trustees with reviewing the framework to identify the principal risks of the Fund’s business, and ensure the implementation of appropriate systems to manage these risks. The Audit Committee is tasked with reviewing major operations and financial risks, the systems implemented to monitor those risks and the strategies in place to manage those risks. The Audit Committee Charter (available at www.chemtradelogistics.com) requires a review of the identification, assessment and procedures outlined by management to manage risk periodically but no less than once every two years, and the last such review occurred in November 2012.

As discussed above, the Responsible Care Committee, a standing committee of the Fund, is charged in its Charter (available at www.chemtradelogistics.com) with oversight responsibilities relating to (i) reviewing and providing direction to management with respect to the organization's environmental, health, safety and security philosophy; (ii) monitoring environmental, health, safety and security policies to ensure they are appropriate to mitigate risk and ensure statutory compliance; and (iii) monitoring the organization's environmental, health, safety and security performance to ensure compliance with the organization's policies.

(n) Competition

Chemtrade operates in competitive markets and some of Chemtrade's competitors have economic resources greater than those of Chemtrade and are well established as suppliers to the markets that Chemtrade serves. Accordingly, such competitors may be better able to withstand volatility within industries and throughout the economy as a whole while retaining significantly greater operating and financial flexibility than Chemtrade. Chemtrade, however, generally shares end-use product price and volume risk for Commercial By-Products with the Producers.

Certain of Chemtrade's products are sold into regional markets which may have lower cost competitors owing to a variety of factors, including a lesser commitment to environmental, health and safety compliance and excellence. There can be no assurance that such competition will not continue or increase and have a materially adverse effect on Chemtrade's business.

Several of Chemtrade's niche services and products are sold into select markets. There can be no assurance that these markets will not attract additional competitors that could have greater financial, technological, manufacturing and marketing resources than Chemtrade.

(o) Pension and Other Post-Retirement Employee Benefit Obligations

Chemtrade sponsors defined benefit pension plans for qualifying employees in Canada and in the United States. Chemtrade's accounting estimates regarding the amount and timing of future funding obligations for defined benefit pension plans are based upon various assumptions, including the discount rate, compensation increase rates, mortality rates, retirement patterns and turnover rates. The actual cash funding obligations for the defined benefit pension plans are determined by valuations prepared by the actuaries for the plans and the amount and timing of the cash funding obligations so determined can be influenced by funding requirements that are established in governing legislation (e.g., in the United States by the *Employee Retirement Income and Security Act of 1974*, the *Pension Protection Act*, and *Congressional Acts*; and in Canada by provincial pension standards legislation) or by requirements of government bodies that regulate the pension plans. Any additional cash contributions that Chemtrade is required to make may adversely affect Chemtrade's results of operations, financial position and liquidity. Under pension law in the United States, if the sponsor of the Chemtrade defined benefit pension plans does not fulfill its contribution obligations, those obligations may become obligations of Chemtrade.

Chemtrade provides post-retirement benefits for qualifying retirees in Canada and in the United States. Estimates of the amount and timing of future obligations for post-retirement benefits are based upon various assumptions, including mortality rates and the rate of increase for health-care costs. If future trends differ from assumptions used, the amounts Chemtrade is obligated to contribute may increase. The post-retirement benefit plans are unfunded, and any future cash contributions needed to satisfy the benefit obligations under the plans may adversely affect Chemtrade's results of operation, financial position and liquidity.

(p) Leverage Risk

Chemtrade's degree of leverage could have adverse consequences for Chemtrade, including limiting Chemtrade's ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; restricting Chemtrade's flexibility and discretion to operate its business; limiting Chemtrade's ability to declare distributions; having to dedicate a portion of Chemtrade's cash flows from operations to the payment of interest on its existing indebtedness and not

having such cash flows available for other purposes, including operations, capital expenditures and future business opportunities; exposing Chemtrade to increased interest expense on borrowings at variable rates; limiting Chemtrade's ability to adjust to changing market conditions; placing Chemtrade at a competitive disadvantage compared to its competitors that have less debt; making Chemtrade vulnerable in a downturn in general economic conditions; and making Chemtrade unable to make capital expenditures that are important to its growth and strategies.

(q) Reliance on Key Personnel

Chemtrade's operations are dependent on the abilities, experience and efforts of its senior management. While Chemtrade has entered into employment arrangements with certain members of its senior management, should any of these persons be unable or unwilling to continue his/her employment with Chemtrade, the business prospects of Chemtrade could be adversely affected.

(r) Logistics

Chemtrade imports key raw materials and products from overseas and as such has the additional risk associated with this sourcing activity. Chemtrade makes extensive use of the railway system to transport material within North America. Certain locations are serviced by a sole carrier and thus a disruption in service could have a significant negative impact on results.

(s) Reliance on ICL

Chemtrade is dependent on ICL in that it relies on ICL for: (i) its supply of P₄, elemental phosphorus, which is the main raw material input in P₂S₅ representing approximately 60% of the cost of goods sold; and (ii) the supply of other inputs such as water, steam, electricity, gas and certain services. Phosphorus supply handling is covered under long term agreements with ICL, through at least 2019, including a modification and extension executed in 2012. The long term facility agreements with ICL continue for 99 years in the case of the lease and indefinitely in the case of utilities and services.

(t) Potential Undisclosed Liabilities Associated with Acquisitions

In connection with the businesses acquired pursuant to the IPO, the SHS Acquisition, the Pulp Acquisition, the Peak Acquisition, the Marsulex Acquisition, the General Chemical Acquisition or with any other acquisition, there may be liabilities that Chemtrade fails or is unable to discover in its due diligence prior to the consummation of the acquisition. In particular, to the extent that prior owners of businesses failed to comply with or otherwise violated applicable laws, including environmental laws or anti-trust laws, Chemtrade, as a successor owner, may be financially responsible for these violations. The discovery of any material liabilities could have a material adverse effect on Chemtrade's business, financial condition or future prospects.

(u) Uninsured and Underinsured Losses

The Fund's Declaration of Trust requires that the Fund obtain and maintain at all times insurance coverage in respect of potential liabilities of the Fund and the accidental loss of value of the assets of the Fund from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of similar assets and operations. Chemtrade believes that the insurance coverage it has obtained has coverages and amounts sufficient to repair or replace any assets physically damaged or destroyed, including coverage for resultant business interruption losses, or extra expenses sustained, and to cover in respect of claims for bodily injury or property damage arising out of assets or operations, including the handling and distribution of hazardous chemicals. However, not all risk factors are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of Chemtrade.

(v) Credit Risk

Credit risk arises from the non-performance by counter-parties of contractual financial obligations. Chemtrade manages credit risk for trade and other receivables through established credit monitoring activities. The primary counter-parties related to the Fund's foreign exchange forward contracts, commodity price contracts and interest rate swaps carry investment grade ratings. While the Fund does not have a significant concentration of credit risk with any single counter-party or group of counter-parties, the non-performance of a counter-party could have a material adverse impact on the Fund. The Fund's maximum exposure to credit risk at any point in time is the carrying value of its receivables and derivative assets.

(w) Risks of Acquisitions and the Failure to Integrate Acquired Businesses

As part of its long-term strategy, Chemtrade intends to acquire additional complementary businesses where such transactions are economically and strategically justified. However, there can be no assurance that Chemtrade will continue to identify attractive acquisition candidates in the future, or that it will succeed at effectively managing the integration of acquired businesses. If the expected synergies from such transactions, (either present or future) do not materialize or Chemtrade fails to successfully integrate such new businesses into its existing businesses, Chemtrade's results from the acquired operations could be adversely affected.

(x) Potential Risks Relating to Significant Operations in Foreign Countries

Chemtrade generates significant earnings from its facilities in the U.S. and from its International Business. It markets its product in Europe, Latin America, South America, North America, North Africa and the Asia-Pacific region. Chemtrade's SHS business is dependent on receiving product from China and its P₂S₅ business is dependent on receiving raw materials from Asia. Foreign operations are subject to certain risks that can materially affect the sales, profits, cash flows and financial position of Chemtrade, such as currency exchange rate fluctuations, inflation, exchange controls and variable political conditions. In particular, currency exchange rate fluctuations may impact the revenues and gross profits of Chemtrade's foreign operations. In addition, a highly inflationary economy may also give rise to increased production costs without correspondingly increased prices, especially if products are exported to countries with low inflation rates. Finally, Chemtrade is dependent upon the free flow of goods across the U.S.-Canadian border and has significant exposure to disruptions in U.S.-Canadian trade relations.

(y) Foreign Exchange

Chemtrade is exposed to currency risks, stemming from the fact that Chemtrade and its subsidiaries carry on business in the international marketplace and in particular, with the U.S.

(z) Dependence on Outsourcing

A portion of Chemtrade's continued operations is dependent on the continuation of Producers outsourcing the removal, marketing and distribution of sulphur-based by-products. If Producers choose to market the product directly themselves, it could have an adverse effect on Chemtrade's financial position and results of operations.

(aa) Legal and Regulatory Proceedings

Legal and regulatory claims, investigations and proceedings may be initiated against Chemtrade in the ordinary course of its business. The outcome of these investigations and proceedings, and the amount of any damages awarded or penalties assessed, cannot be predicted with certainty due to the uncertainty inherent in litigation and regulatory proceedings. There can be no assurances that these matters will not have a material adverse effect on Chemtrade's business, financial condition, reputation and ability to conduct operations in the normal course.

Chemtrade is currently a subject of an ongoing investigation by the U.S. Department of Justice concerning alleged anticompetitive conduct in the water treatment chemicals industry. Chemtrade is cooperating with the investigation and has the benefit of the conditional amnesty from the U.S. Department of Justice for its conduct regarding sales of the water treatment chemicals under investigation which General Chemical had

obtained prior to the General Chemical Acquisition. The investigation may result in separate civil litigation being initiated against Chemtrade. In addition, there is a risk that Chemtrade could become ineligible for a period of time to do business or bid for new contracts with certain municipal or other government customers as a consequence of its conduct, and thereby could lose some or all of its municipal and other government water treatment chemicals business in certain jurisdictions for a period of time. Chemtrade does not anticipate that the costs associated with the investigation or related matters will have a material adverse impact on its business or operations. The vendors pursuant to the General Chemical Acquisition have agreed to indemnify Chemtrade for certain losses that could result from the conduct that is the subject of this investigation.

(bb) Loss of Anti-dumping Protection

Chemtrade is the beneficiary of U.S. anti-dumping and countervailing duty (“CVD”) orders imposed on imports of sodium nitrite from China and Germany. These orders impose special additional duties (costs) on sodium nitrite imported into the United States from Chinese and German importers. The orders are subject to renewal every five years under a “sunset review” process. The U.S Department of Commerce (“Commerce”) and the U.S. International Trade Commission last extended the orders for a five year period commencing in January 2014. There can be no assurance that the orders will be extended in future, nor if they are extended, no assurance that the amount of the duties will remain the same. The World Trade Organization has recently ruled that Commerce failed to avoid double remedies in 25 CVD proceedings (including sodium nitrite) against Chinese products over several years. Commerce is in the process of making a determination not inconsistent with the findings of the World Trade Organization. If the orders are not extended or the amount of duties lessened pursuant to any of these proceedings or reviews, there could be a material adverse impact on Chemtrade’s sodium nitrite business.

2. Risks Related to the Structure of the Fund

(a) Dependence on the Fund’s Subsidiaries

The Fund is a limited purpose trust which is entirely dependent on the operations and assets of Chemtrade through the ownership of the Shares and the Notes. Accordingly, the cash distributions to the Unitholders will be dependent on the ability of the Fund’s subsidiaries to pay its interest obligations under the Notes and to declare and pay dividends or make other distributions on the Shares. The ability of Chemtrade to pay dividends or make other payments or advances to the Fund’s subsidiaries is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those subsidiaries.

(b) Leverage; Restrictive Covenants

Chemtrade has significant third party debt service obligations under its Credit Facility. The degree to which Chemtrade is leveraged could have important consequences to the holders of the Units, including: (i) Chemtrade’s ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a substantial portion of Chemtrade’s cash flow from operations will be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; (iii) some of Chemtrade’s borrowings are at variable rates of interest, which exposes Chemtrade to the risk of increased interest rates; and (iv) Chemtrade may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. Certain of Chemtrade’s competitors may currently operate on a less leveraged basis and therefore could have significantly greater operating and financing flexibility than Chemtrade. Chemtrade’s ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The Credit Facility contains numerous restrictive covenants that limit the discretion of Chemtrade’s management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of Chemtrade to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose

of assets and merge or consolidate with another entity. In addition, the Credit Facility contains a number of financial covenants that require Chemtrade to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Credit Facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Facility were accelerated, there can be no assurance that the assets of Chemtrade would be sufficient to repay in full that indebtedness.

Chemtrade may need to refinance its available Credit Facility or other debt and there can be no assurance that Chemtrade will be able to do so or be able to do so on terms as favourable as those currently in place. If Chemtrade is unable to refinance the Credit Facility or other debt, or is only able to refinance the Credit Facility or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on Chemtrade's financial position, which may result in a reduction or suspension of cash distributions to Unitholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing Credit Facility or other debt, which may limit or negatively impact the ability of the Fund to pay cash distributions.

The Credit Facility contains restrictive covenants that limit the discretion of the Fund with respect to certain business matters. In certain circumstances, these restrictive covenants may restrict the cash available for distribution to Unitholders.

(c) Cash Distributions Are Not Guaranteed and Will Fluctuate with Chemtrade's Performance

Although the Fund intends to continue to distribute the interest and dividend income earned by the Fund less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by Chemtrade and paid to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins and capital expenditures.

(d) Nature of Units

Securities such as the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in Chemtrade and should not be viewed by investors as securities in any specific subsidiary of the Fund. As holders of Units, Unitholders do not have the statutory rights normally associated with ownership of securities of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary assets are the Notes and Shares. The price per Unit is a function of anticipated distributable income.

(e) Unitholder Liability

The Fund's Declaration of Trust provides that no Unitholder shall be subject to any liability whatsoever to any person in connection with a holding of Units. However, in jurisdictions outside the Provinces of Ontario, Quebec and Alberta, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Fund's Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. The affairs of the Fund are conducted to seek to minimize such risk wherever possible.

(f) Distribution of Securities on Redemption or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the Trustees may distribute the Shares and Notes of Chemtrade directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the Shares or Notes. In addition, the Shares and Notes are not freely tradeable and are not currently listed on any stock exchange. Securities of the subsidiaries of the Fund so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

(g) Dilutive Effects on Holders of Units

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for such consideration and on such terms and conditions as shall be established by the Trustees without the approval of any Unitholders. Such an action would dilute the interests of existing Unitholders. In addition, the Fund may issue Units on the conversion, redemption or repayment of the Debentures and to satisfy part or all of its periodic interest obligations to Debenture holders. If the Fund takes such action, holders of Units may suffer dilution.

(h) Restrictions on Potential Growth

The payout by Chemtrade of a large part of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of such funds could limit the future growth of Chemtrade and its cash flow.

(i) Canadian Tax-Related Risks

The Fund is a mutual fund trust and specified investment flow through (“**SIFT**”) trust for income tax purposes. The Fund is subject to current income taxes on any taxable income not distributed to Unitholders and on all taxable income earned from Canadian corporate and flow through subsidiaries (other than dividends and certain other investment income) that is distributed to Unitholders (the “**SIFT Tax**”). However, income received by the Fund directly from non-Canadian subsidiaries is not subject to the SIFT Tax. Accordingly, the Fund can continue to distribute Canadian dividends (and certain other investment income) and direct foreign source income to Unitholders without being subject to the SIFT Tax.

Expenses incurred by Chemtrade are only deductible to the extent they are reasonable. There can be no assurance that the taxation authorities will not seek to challenge the reasonableness of certain expenses. If such a challenge were to succeed against Chemtrade, it could materially and adversely affect the amount of distributable cash available. Management of the Fund believes that the expenses inherent in the structure of the Fund are supportable and reasonable in the circumstances.

The Fund’s Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders such that it will not have any liability for tax other than the SIFT Tax, if any. Where interest payments on the Notes are due but not paid in whole or in part, or the Fund’s distributions to Unitholders are otherwise less than the Fund’s taxable income, the Declaration of Trust provides that additional Units may be issued to Unitholders in lieu of cash to distribute taxable income. In these circumstances, a Unitholder’s taxable income with respect to Fund Units may exceed the cash distributions received from the Fund.

The Fund filed an election with the U.S. Internal Revenue Service (“**IRS**”) to be treated as a corporation for U.S. federal income tax purposes effective January 15, 2014. As a result of this election, the Fund will be treated as a regarded entity under the tax laws of both Canada and the U.S. and may be entitled to a reduced rate on Canadian withholding tax on distributions made by the Fund to U.S. persons under the *Canada-United States Tax Convention* (the “**Canada-U.S. Treaty**”) provided certain requirements are satisfied.

Prior to January 15, 2014, certain provisions of the Canada-U.S. Treaty may have applied to deny a reduction to the Canadian withholding tax rate on distributions made by the Fund to U.S. persons. Denial of benefits under the Canada-U.S Treaty will result in the application of the statutory Canadian withholding tax rate of 25% on distributions made to U.S. persons prior to January 15, 2014.

The Fund currently intends to remain an income trust. Based on existing tax laws and the current structure of the Fund’s investments in its subsidiaries, the Fund expects that its earnings will not be subject to Canadian tax, since substantially all of its earnings will be non-Canadian source, be received in the form of dividends from Canadian companies or not otherwise subject to the SIFT Tax.

In Budget 2014, the Minister of Finance released anti-avoidance rules (the “**Anti-Avoidance Rules**”) with respect to Canada’s thin capitalization rules. The Anti-Avoidance Rules, as drafted in the Notices of Ways and Means Motion, may deny the deduction of interest payable by the Fund and its Canadian subsidiaries to arm’s

length lenders even though the Fund and its Canadian subsidiaries should not otherwise be subject to the thin capitalization rules. Should the rules be implemented as proposed, the Fund and its Canadian subsidiaries may be subject to limitations on the amount of arm's length interest that is deductible in computing taxable income.

(j) U.S. Tax-Related Risks

There can be no assurance that U.S. federal income tax laws and IRS administrative policies respecting the U.S. federal income tax matters described herein will not be changed in a manner that adversely affects Unitholders.

Effective January 15, 2014, the Fund has made an election to change its entity classification from a partnership to an association taxable as a corporation for U.S. federal income tax purposes. Prior to January 15, 2014, the Fund was treated as a partnership for U.S. federal income tax purposes and subject to the "publicly-traded partnership" rules of the United States Internal Revenue Code (the "**Code**"). In general, publicly-traded partnerships are treated as corporations for U.S. federal income tax purposes. However, certain publicly-traded partnerships which derive, in each taxable year, 90% or more of their gross income from certain qualifying sources (in general, passive income) continue to be treated as partnerships for U.S. federal income tax purposes (the "**Qualifying Income Exception**"). If the Fund did not meet the Qualifying Income Exception prior to January 15, 2014, then it would have been treated as a corporation for U.S. federal income tax purposes and would not have been eligible for the Portfolio Interest Exemption (discussed below).

The Fund receives interest, directly and indirectly, from U.S. sources under various notes (the "**U.S. Notes**") issued by certain U.S. subsidiaries of the Fund (the "**U.S. Issuers**"). The Fund and the U.S. Issuers treat the U.S. Notes as indebtedness for U.S. federal income tax purposes. However, there is a risk that the IRS could challenge the characterization of the U.S. Notes as debt. If such a challenge is sustained, then the U.S. Notes would be treated for U.S. federal income tax purposes as equity rather than debt, in which case the otherwise deductible interest on the U.S. Notes may be treated as non-deductible dividends, which would be subject to U.S. federal withholding tax at a rate of 30% (subject to possible reduction under the Canada-U.S. Treaty). In addition, even if the U.S. Notes are characterized as debt, there is a risk that the interest rate may be found to be in excess of an arm's length rate. In such event, the excess amount of interest over an arm's length amount may be recharacterized as non-deductible dividends, which would be subject to U.S. federal withholding tax at a rate of 30% (subject to possible reduction under the Canada-U.S. Treaty). The inability of the U.S. Issuers to deduct interest on the U.S. Notes could materially increase taxable income and thus, U.S. federal income tax liability. This would reduce the after-tax income of the U.S. Issuers available for distribution. In addition, the imposition of withholding tax would reduce the cash available to the Fund for distribution.

The remainder of this discussion is on the basis that the U.S. Notes are being respected as debt for U.S. federal income tax purposes.

The Fund receives interest, directly and indirectly, from U.S. sources under the U.S. Notes. For interest paid on the U.S. Notes, the Fund, and any applicable subsidiary, is treated as the beneficial owner of the interest income for U.S. federal income tax purposes. Under the Canada-U.S. Treaty, for interest paid after January 1, 2010, the withholding tax rate may be reduced to zero percent for certain residents who are "qualified persons" under the Canada-U.S. Treaty. Whether the Fund and any applicable subsidiary will be eligible for such exemption under the Canada-U.S. Treaty will depend upon, among other things, whether the Fund and the applicable subsidiary is a "qualified person" within the meaning of the Canada-U.S. Treaty at the time that interest payments are made by the applicable U.S. Issuer. Under the *Convention Between the Government of the United States of American and the Government of the Grand Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital* ("**Luxembourg-U.S. Treaty**"), a Luxembourg corporation may be eligible for a zero percent rate of withholding tax on U.S. source interest payments if such corporation satisfies certain requirements, including the "derivative benefits" provision under the Luxembourg-U.S. Treaty. Whether the applicable subsidiary of the Fund will be eligible for such exemption under the Luxembourg-U.S. Treaty will depend upon, among other things, whether such subsidiary

satisfies the derivative benefits provision of Luxembourg-U.S. Treaty at the time that interest payments are made by the applicable U.S. Issuer.

For interest paid on certain U.S. Notes prior to January 15, 2014, if the Fund did not qualify for benefits under the Canada-U.S. Treaty, then the interest paid may qualify for an exemption from withholding tax under the “Portfolio Interest Exemption” if certain conditions were satisfied. In general, the Portfolio Interest Exemption would have applied if, among other requirements, non-U.S. Unitholders satisfied certain certification requirements. In addition, the Portfolio Interest Exemption is not available for interest paid on an obligation if the lender owns, directly or by attribution, 10% or more of the combined voting power of the obligor (the “**10-Percent Shareholder Test**”). Regulations apply the 10-Percent Shareholder Test at the foreign partner level to the non-resident alien individual or foreign corporation that is the beneficial owner of the income. Accordingly, the regulations provide that when interest is paid to a partnership, the persons who receive the interest for purposes of applying the 10-Percent Shareholder Test are the non-resident alien individual partners and the foreign corporations that are partners, from a U.S. tax perspective, in the partnership. If, prior to January 15, 2014, the Fund did not satisfy the Qualifying Income Exception (discussed above) and the Fund was treated as a corporation for U.S. federal income tax purposes, then the Portfolio Interest Exemption would not have applied, and the interest payments to the Fund would have been subject to a 30% U.S. federal withholding tax (subject to possible reduction under the Canada-U.S. Treaty).

There is a risk that the zero percent rate of withholding under the Canada-U.S. Treaty, Luxembourg-U.S. Treaty and/or the Portfolio Interest Exemption will not apply. In such case, all or a portion of any interest paid directly or indirectly to the Fund would be subject to 30% U.S. federal withholding tax. The additional U.S. federal income tax liability could materially and adversely affect the amount of cash available for distribution to the Fund.

The U.S. Issuers may also be subject to limitations on its ability to deduct for tax purposes all or a portion of interest expense attributable to the U.S. Notes. These rules, referred to as the “earnings stripping” rules, have been the subject of various proposals that would expand their scope in many respects. To date, however, none of these proposals have been enacted into law. If any new earnings stripping rules are enacted, then the additional restriction on the ability of the U.S. Issuers to claim deductions for interest payments on the U.S. Notes could increase the U.S. tax liability of the U.S. Issuers which would reduce the amount of distributions which the Fund would receive and could have a material adverse effect on the Fund and on the amount of cash available to the Fund for distribution.

VII. CASH DISTRIBUTIONS

As an income trust the Fund pays cash distributions on its Units; it does not pay dividends. Distributions are discretionary. In making its determination, the Board considers a number of factors such as cash generated, historical practices, anticipated capital expenditure requirements, retirement of debt and working capital needs. Cash distributions on the Units, if any, are made monthly, as more fully described under “Structure of the Fund—Cash Distributions” (see section V.6). Furthermore, cash distributions are dependent on the ability of Chemtrade to pay distributions, which ability may be restricted by certain covenants in Chemtrade’s credit facility and other credit arrangements Chemtrade may enter into. See “Risk Factors – Risks Related to the Structure of the Fund – Leverage; Restrictive Covenants” (see section VI2(b)).

Since January 2007, the Fund has paid regular monthly cash distributions in the amount of \$0.10 per Unit.

See “Description of Capital Structure” (section VIII) for particulars of interest payable to holders of the Debentures.

VIII. DESCRIPTION OF CAPITAL STRUCTURE

The Fund's authorized capital structure consists of an unlimited number of Units. At December 31, 2014 the Fund had 68,470,630 Units issued and outstanding. All Units are of the same class with equal rights and privileges. The holders of Units are entitled to vote at all meetings of Unitholders on the basis of one vote per Unit. The Units are redeemable by the holder at any time.

In addition, the Fund is authorized to issue an unlimited number of debentures pursuant to a trust indenture dated December 20, 2002 between the Fund and BNY Trust Company of Canada (formerly, CIBC Mellon Trust Company), as trustee. As at December 31, 2014, \$244.7 million principal amount of Debentures were issued and outstanding.

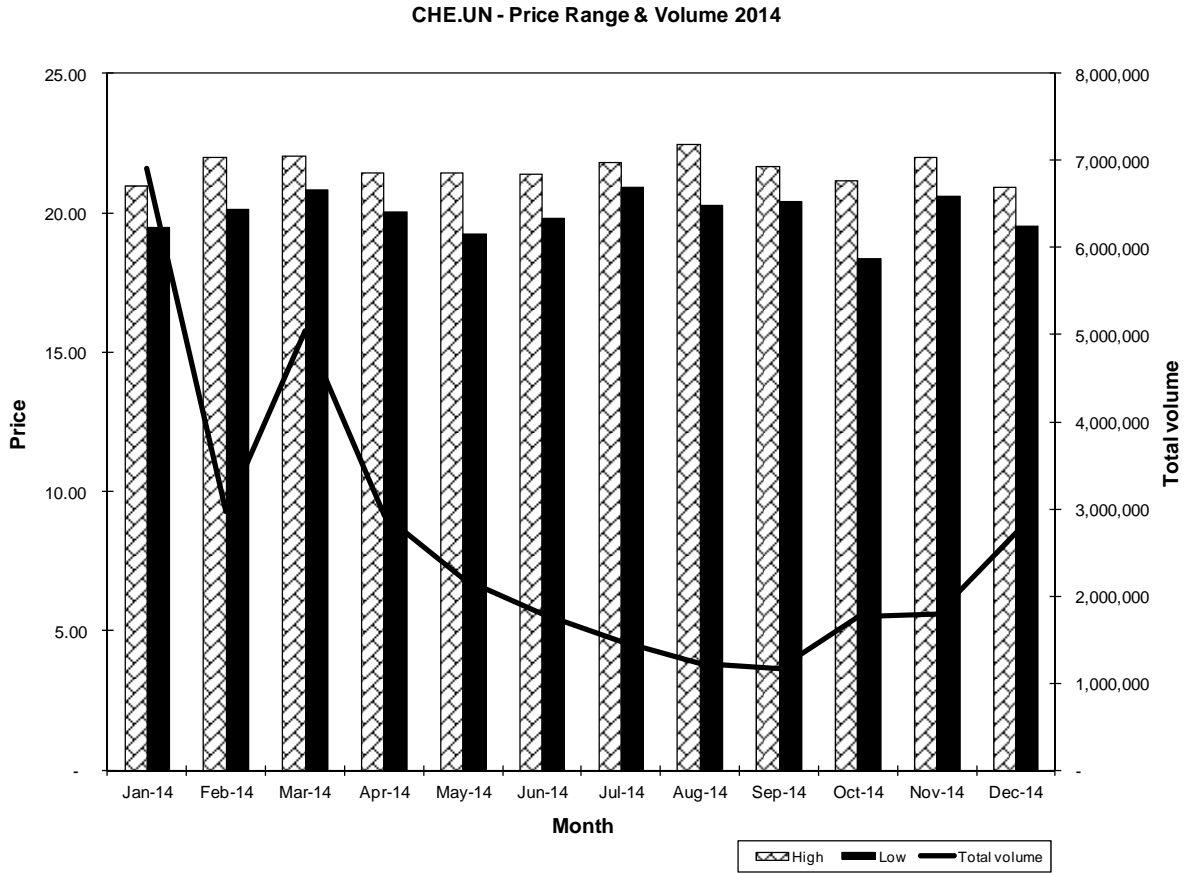
The 2010 Debentures were issued during 2010, with \$80 million closing on March 24, 2010 and an additional \$10 million closing on April 8, 2010 pursuant to an over-allotment option. The 2010 Debentures mature on March 31, 2017 and accrue interest at the rate of 6.0% per annum payable semi-annually in arrears. At the holder's option, the 2010 Debentures may be converted into Units at any time prior to the earlier of the maturity date and the date of redemption specified by the Fund at a price of \$16.00 per Unit. The 2010 Debentures were not redeemable before March 31, 2013. On or after April 1, 2013 and prior to April 1, 2015, the Fund has the option to redeem all or part of the 2010 Debentures provided the volume weighted average trading price is not less than 125% of the conversion price. On or after April 1, 2015 and prior to the maturity date, the Fund has the option to redeem all or part of the 2010 Debentures at par plus accrued and unpaid interest.

The 2011 Debentures were issued at a price of \$1,000 per 2011 Debenture, closing on December 12, 2011. The 2011 Debentures mature on December 31, 2018 and accrue interest at the rate of 5.75% per annum payable semi-annually in arrears. At the holder's option, the 2011 Debentures may be converted into Units at any time prior to the earlier of the maturity date and the date of redemption specified by the Fund at a price of \$20.00 per Unit. The 2011 Debentures are not redeemable before January 1, 2015. On or after January 1, 2015 and prior to January 1, 2017, the Fund has the option to redeem all or part of the 2011 Debentures provided the volume weighted average trading price is not less than 125% of the conversion price. On or after January 1, 2017 and prior to the maturity date, the Fund has the option to redeem all or part of the 2011 Debentures at par plus accrued and unpaid interest.

See "Recent Developments – Convertible Debentures" (Section IV.3) for a description of the 2014 Debentures.

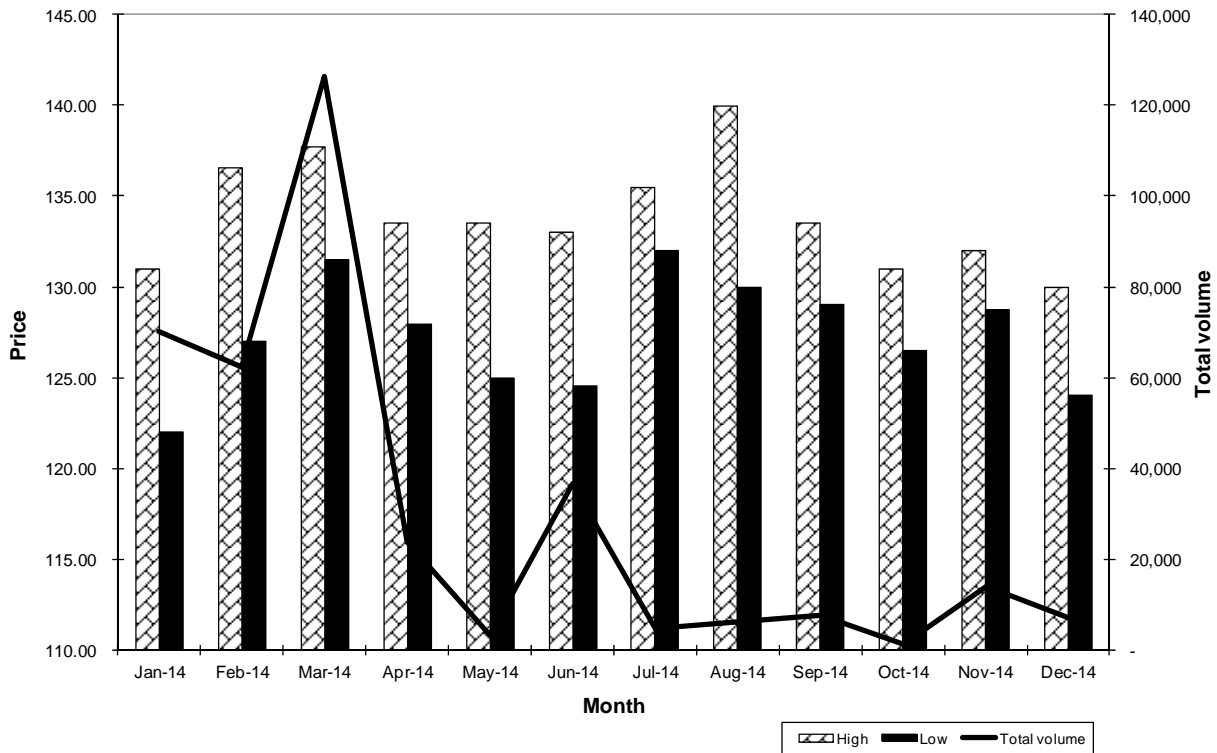
IX. MARKET FOR SECURITIES

The Units are listed and posted for trading on the Toronto Stock Exchange under the symbol “CHE.UN”. The following chart portrays the monthly price range and volumes traded for Chemtrade’s Units in 2014:

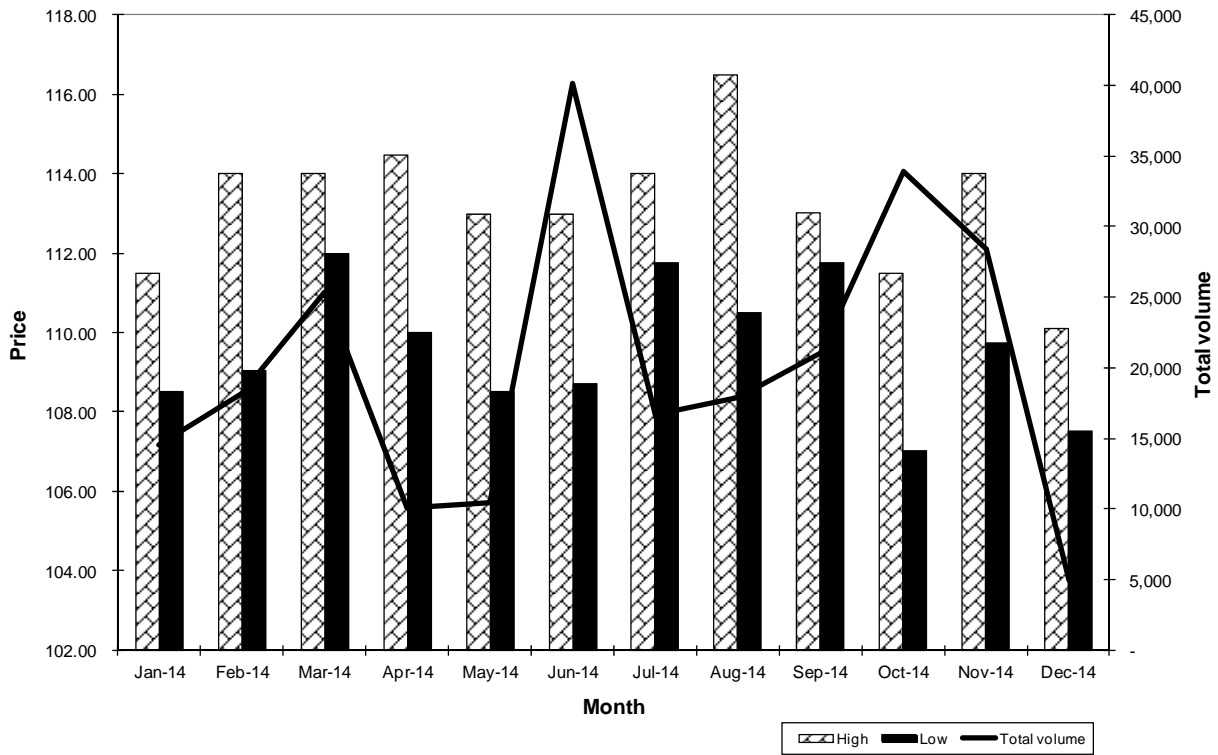


The Fund's Debentures are listed and posted on the Toronto Stock Exchange, with the 2010 Debentures under the symbol "CHE.DB", the 2011 Debentures under the symbol "CHE.DB.A" and the 2014 Debentures under the symbol "CHE.DB.B". The following charts portray the monthly price range and volumes traded for Chemtrade's Debentures in 2014:

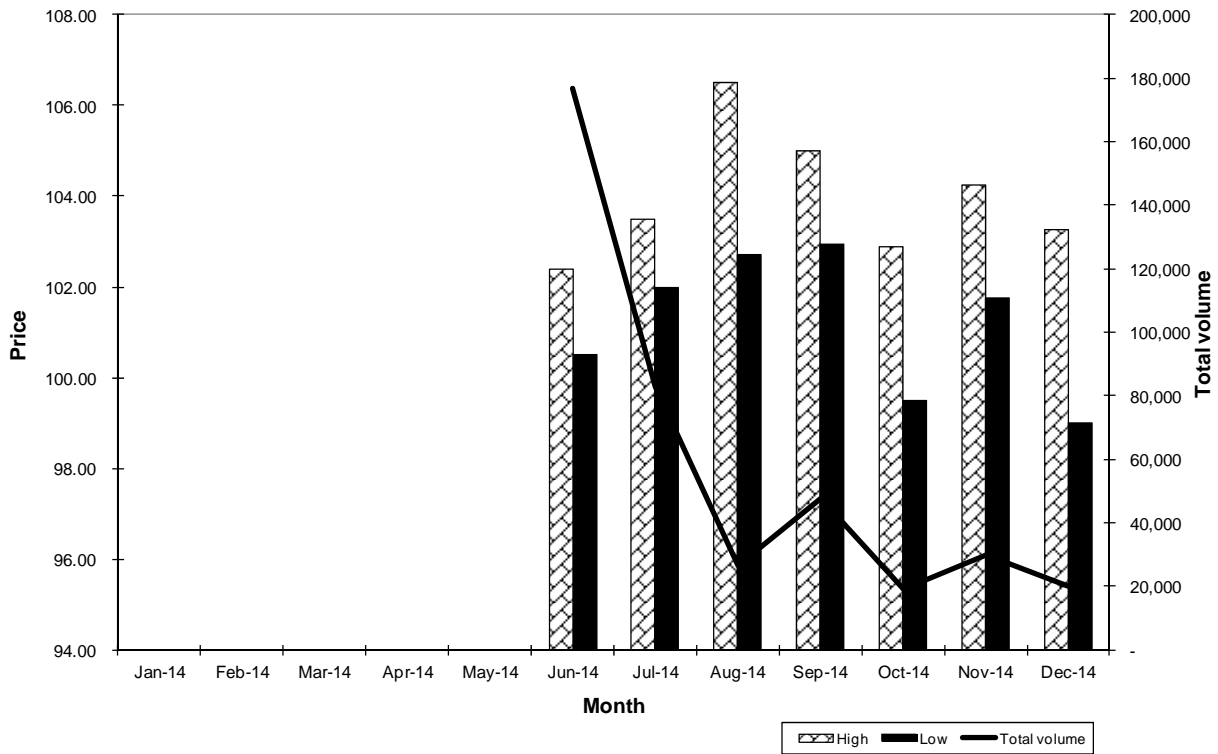
CHE.DB - Price Range & Volume 2014



CHE.DB.A - Price Range & Volume 2014



CHE.DB.B - Price Range & Volume 2014



X. TRUSTEES, DIRECTORS AND OFFICERS

As of the date of this AIF, there are six Trustees on the Board of Trustees of the Fund. There are three standing committees of the Fund: the Audit Committee, the Compensation and Corporate Governance Committee and the Responsible Care Committee. Each of the three committees is comprised entirely of independent Trustees.

1. Trustees and Directors

The trustees of the Fund as at the date hereof are set out below, and each of them will hold office until the next annual meeting of Unitholders or, subject to the Fund's Declaration of Trust and to applicable laws, until such office is earlier vacated.

<u>Name and Municipality of Residence</u>	<u>Trustee Since</u>	<u>Principal Occupation</u>
David Colcleugh ⁽¹⁾ Mississauga, Ontario, Canada	December 17, 2003	Corporate Director
Lucio Di Clemente ⁽¹⁾ Toronto, Ontario, Canada	July 7, 2009	Management Consultant and Corporate Director
Mark Davis ⁽³⁾ Toronto, Ontario, Canada	May 16, 2013	Chief Executive Officer Chemtrade Logistics Income Fund
David Gee ⁽¹⁾⁽³⁾⁽⁴⁾ Barrie, Ontario, Canada	May 17, 2001	Corporate Director
Susan McArthur ⁽¹⁾ Toronto, Ontario, Canada	August 8, 2012	Managing Partner Greensoil Investments, private equity investment firm
Lorie Waisberg ⁽²⁾⁽⁵⁾ Toronto, Ontario, Canada	May 17, 2001	Corporate Director

Notes:

- (1) Member of the Audit Committee, the Compensation and Corporate Governance Committee and the Responsible Care Committee.
- (2) Member of the Compensation and Corporate Governance Committee and the Responsible Care Committee. From 2001 until August 9, 2014, Mr. Waisberg was a member of the Audit Committee. He resigned due to membership on the audit committees of other boards of directors.
- (3) Messrs. Davis and Gee were appointed as two of the initial Trustees when the Fund was established and they served from 2001 until 2004, when the number of Trustees was reduced. Mr. Gee was re-appointed Trustee effective March 19, 2007 and Mr. Davis was re-elected as Trustee on May 16, 2013.
- (4) Mr. Gee was a director of Norwall Group Inc. ("Norwall"). Due to the Chief Financial Officer's sudden illness, Norwall failed to file required financial statements for the second quarter of 2009 in a timely manner and applied to the relevant provincial securities regulators for a management cease trade order covering the Chief Executive Officer and Chief Financial Officer. The order was revoked on October 20, 2009 following the filing of the financial statements.
- (5) Mr. Waisberg was a director of FMF Capital Group Ltd. ("FMF") from March 2005 to May 18, 2007. On May 18, 2007 a subsidiary of FMF (of which Mr. Waisberg was not a director) conveyed its assets to a trustee to facilitate the orderly wind-up of its business.

The Fund's officers consist of Mark Davis, Chief Executive Officer; Rohit Bhardwaj, Vice-President, Finance and Chief Financial Officer; and Susan Paré, Corporate Secretary. Each of Chemtrade's entities has a

board of directors consisting of members of senior management, who also serve as officers of these entities. The members of senior management are set out below:

<u>Name and Municipality of Residence</u>	<u>Position</u>
Mark Davis Toronto, Ontario, Canada	Chief Executive Officer
Rohit Bhardwaj Vandorf, Ontario, Canada	Chief Financial Officer
Leon Aarts McKinney, Texas, USA	Group Vice-President
Tab McCullough Lexington, South Carolina, USA	Group Vice-President
Maryann Romano Woodbridge, Ontario, Canada	Vice-President, Human Resources
Doug Cadwell ⁽¹⁾ Aurora, Ontario, Canada	Vice-President
Michael St. Pierre Mississauga, Ontario, Canada	Vice-President
Dan Dietz Pittstown, New Jersey, USA	Vice-President
Susan Paré Oakville, Ontario, Canada	General Counsel

⁽¹⁾ Doug Cadwell retired effective December 31, 2014.

Each of the Fund's Trustees and officers and Chemtrade's senior management has held the same principal occupation or other positions with the same employer for the previous five years except as follows:

- (i) Mr. Di Clemente is a management consultant and corporate director. He worked as a management consultant from 2008 until December 2010. He was appointed President of West 49 Inc., an apparel and hard goods retailer in December 2010 and served in that role until the sale of the business in February 2014.
- (ii) Mr. Dietz joined Chemtrade in January 2014 as part of the General Chemical Acquisition. While at General Chemical, Mr. Dietz held several roles over a 15-year period. Most recently, he led the Water Treatment Chemicals business as Vice-President since April 2011 and prior to this he was Vice-President Finance from late 2009 and prior to this, Group Controller from mid-2004.
- (iii) Mr. St. Pierre joined Chemtrade in May 2012 from Huntsman Corporation. While at Huntsman Mr. St. Pierre held several roles over a 15 year period. Most recently, he led Polyurethanes' Global Thermoplastic business as Global Business Director from mid-2010 and prior to this he was Director of Business Development for Europe, Africa and the Middle East from 2007.

As at December 31, 2014, the Fund's Trustees and officers and senior management of Chemtrade, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 422,773 Units, which is approximately 0.6% of the outstanding Units of the Fund.

2. Committees

The Board of Trustees has three standing committees – Audit, Compensation and Corporate Governance, and Responsible Care. The charters of these committees are available at www.chemtradelogistics.com. The Fund also has a Disclosure Committee which was created in February 2006.

- *Audit Committee:* Responsible for monitoring the quality and integrity of the Fund’s financial statements and financial reporting process; overseeing the performance of the external auditor and ensuring its qualifications and independence; ensuring compliance with legal and regulatory regulations relevant to the integrity of the Fund’s financial statements; and identifying, assessing and managing risks. The Audit Committee has four members: Lucio Di Clemente (Chair), David Gee, David Colcleugh and Susan McArthur. All members of the Audit Committee are independent Trustees within the meaning of National Instrument 52-110 – Audit Committees.
- *Compensation and Corporate Governance Committee:* Responsible for: retaining key senior management employees, including the CEO, with the appropriate skills and expertise to enable the Fund to achieve its goals; making recommendations relating to the determination and administration of the compensation of the CEO and Trustees; reviewing compensation of other senior management; overseeing and assessing the functioning of the Board and its committees; developing, implementing and assessing effective corporate governance principles; advising with respect to filling Trustee vacancies; and reviewing disclosure related to executive compensation. The Compensation and Corporate Governance Committee has five members: David Colcleugh (Chair), Lucio Di Clemente, David Gee, Susan McArthur and Lorie Waisberg. All members of the Compensation and Corporate Governance Committee are independent Trustees within the meaning of National Instrument 58-101 – Disclosure of Corporate Governance Practices.
- *Responsible Care Committee:* Has oversight responsibilities relating to (i) reviewing and providing direction to management with respect to the organization’s environmental, health, safety and security philosophy; (ii) monitoring environmental, health, safety and security policies to ensure they are appropriate to mitigate risk and ensure statutory compliance; and (iii) monitoring the organization’s environmental, health, safety and security performance to ensure compliance with the organization’s policies. This Committee was known as the Environmental, Health and Safety Committee until February 23, 2010. The Responsible Care Committee is composed of five members: David Gee (Chair), David Colcleugh, Lucio DiClemente, Susan McArthur and Lorie Waisberg. All members of the Responsible Care Committee are outside unrelated Trustees.
- *Disclosure Committee:* Responsible for ensuring that public disclosure of Fund information: is accurate and complete; fairly represents in all material respects the Fund’s financial condition, results of operations and cash flows; and is made on a timely basis in accordance with applicable laws, rules and regulatory requirements. The Disclosure Committee consists of four members: Mark Davis, President and Chief Executive Officer; Rohit Bhardwaj, Vice-President, Finance; Chief Financial Officer; Tony Hupman, Director, Operations Finance; and Racquel McGavock, External Reporting Manager. All members of the Disclosure Committee belong to Chemtrade management.

XI. AUDIT COMMITTEE INFORMATION

1. Audit Committee Charter

The text of the Audit Committee Charter is attached to this Annual Information Form as Exhibit I.

2. Composition of the Audit Committee

The members of the Audit Committee as of the date hereof are:

Mr. Lucio Di Clemente (Chair)
 Mr. David Colcleugh
 Mr. David Gee
 Ms. Susan McArthur

Each of the members of the Audit Committee is independent and financially literate.

3. Relevant Education and Experience

Lucio Di Clemente (Chair). Mr. Di Clemente is a chartered accountant and holds an MBA degree from the University of Toronto. Mr. Di Clemente has many years' experience acting as an auditor and chief financial officer for different organizations. At two private companies, in his role as President and President & CEO respectively, he has had the Chief Financial Officer as a direct report. Mr. Di Clemente has also served as the Chair of the Audit Committee and as the Chair of the Board for a TSX-listed trust company and as a Board member, Audit Committee member and Chair of the Special Committee of another TSX-listed company. Mr. Di Clemente holds an ICD.D designation as a professional corporate director and is an instructor of the audit committee effectiveness program offered by the Institute of Corporate Directors.

David Colcleugh. Mr. Colcleugh was Chairman and Chief Executive Officer of DuPont Canada Inc. until his retirement in 2003. In this role, he had the Chief Financial Officer as a direct report. He has served on a dozen Boards, including four as Chair and also served on several Audit Committees.

David Gee: Mr. Gee holds an MBA degree from the University of Toronto and has served on several Boards and chaired an Audit Committee. In his previous role as President and Chief Executive Officer, Mr. Gee had the Chief Financial Officer as a direct report.

Susan McArthur: Ms. McArthur has over 25 years of experience in the investment banking industry, and is currently Managing Partner with Greensoil Investments, a private equity investing firm specializing in agro food tech and building innovation technology. Previously, she was a Senior Investment Banker at Jacob Securities Inc., an investment banking firm. She currently sits on the board of directors of public and private companies and has served on several Boards and Audit Committees in the past. Ms. McArthur has completed the ICD.D professional corporate director course.

4. Pre-Approval Policies and Procedures

Pre-approval policies and procedures are outlined in the Audit Committee Charter (see Part III, Section B, No. 6 - "Non-Audit Services" of Charter attached as Exhibit I).

5. External Auditor Service Fees

The following summarizes the total fees billed for audit, audit-related, tax and non-audit services during the years ended December 31, 2014 and 2013.

	Audit Fees	Audit-Related Fees	Tax Fees	Other
Fiscal 2013	\$776,888	\$463,000	\$633,800	\$40,102
Fiscal 2014	\$1,056,558	\$288,000	\$767,491	Nil

The Audit-Related Fees relate to audits for the Fund's pension plans and French translation of the Fund's financial statements and Management's Discussion & Analysis. In addition to these activities, the Audit-Related Fees in both years also relate to the due diligence in connection with the General Chemical Acquisition and the prospectus for the related equity offering. The Tax Fees in both years relate to tax compliance services and general advisory services for the Fund's Canadian and U.S. based operations, as well as other tax advisory services for restructuring projects and advisory services in connection with the General Chemical Acquisition.

6. Interests of Experts

The Fund's auditors are KPMG LLP, who has prepared the Auditors' Report to Unitholders in respect of its audited consolidated financial statements. KPMG LLP is independent of the company in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

7. Interests of Management and Others in Material Transactions

The Trustees are not aware of any material interest of any Trustee or officer of the Fund, or any director or officer of any Chemtrade entity or any Unitholder who beneficially owns more than 10% of the Units, or any known associate or affiliate of these persons, in any transaction since the commencement of the last fiscal year of the Fund or in any proposed transaction, that has materially affected or would materially affect the Fund.

XII. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings - Management of Chemtrade is not aware of any material litigation outstanding, threatened or pending as of the date hereof by or against the Fund or any of its subsidiaries.

Regulatory Actions - Management of Chemtrade is not aware of any material penalties or sanctions imposed by a court or regulatory body, other than those disclosed under the heading "Description of the Business - Regulatory Matters" above (see section III.8).

XIII. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is Valiant Trust Company at its office in Toronto Ontario.

XIV. MATERIAL CONTRACTS

The following are material contracts relating to Chemtrade:

1. Material Contracts Related to the SHS Acquisition

Asset Purchase Agreement dated December 3, 2002 between Clariant Corporation, Clariant (Canada) Inc., Chemtrade Performance Chemicals Canada Inc., Chemtrade Performance Chemicals US, LLC and Chemtrade Logistics Inc.

Non-competition and Non-solicitation Agreement dated December 2, 2002 between Clariant Corporation, Clariant (Canada) Inc. and Chemtrade Performance Chemicals Canada Inc.

Patent and Know-How License Agreement dated December 2, 2002 between Clariant Corporation and Chemtrade Performance Chemicals Canada Inc.

2. Material Contracts Related to the Pulp Acquisition

Asset Purchase Agreement dated July 29, 2003 between Canadian Forest Products Ltd., B.C. Chemicals Ltd. and Chemtrade Logistics Inc.

3. Material Contracts Related to the Peak Acquisition

Stock Purchase Agreement dated August 2, 2005 between Chemtrade Logistics Inc., Chemtrade Sulphur U.S. Holdings Inc., Peak Sulfur, Inc. and the holders of all the equity interest in Peak Sulfur, Inc. (other than holders of only class B non-voting common stock).

Membership Interest Purchase Agreement dated August 2, 2005 between Peak Chemical, L.L.C., Chemtrade Logistics Inc., Chemtrade Sulphur US Holdings Inc. and holders of all the membership interests in Peak Chemical, L.L.C.

4. Material Contracts Related to the Marsulex Acquisition

Arrangement Agreement dated May 5, 2011 between Chemtrade Logistics Income Fund and Marsulex Inc.

Support Agreement dated May 5, 2011 between Chemtrade Logistics Income Fund and Birch Hill Partners Management Inc. and certain of its affiliates.

5. Material Contracts Related to the General Chemical Acquisition

Amended and Restated Agreement and Plan of Merger dated as of January 23, 2014 among Chemtrade Finance Inc., Chemtrade Water Chemicals Inc., ASP GT Holding Corp. and ASP Manager Corp., solely in its capacity as representative for the Securityholders (as therein defined).

6. Credit Agreement

Amended and Restated Credit Agreement dated as of January 23, 2014 among Chemtrade Logistics Inc. and Chemtrade Luxembourg Holding Inc., as Initial Canadian Borrowers, Chemtrade Logistics (US), Inc., Chemtrade Performance Chemicals US, LLC and Chemtrade Sulphur US Holdings LLC, as Initial US Borrowers, the Institutions named therein as Lenders and The Bank of Nova Scotia as Administration Agent and Bank of Montreal, as Syndication Agent, , as amended by a first amending agreement thereto made as of July 24, 2014.

7. Other Material Contracts

Sulphur Products Sales Agreement dated as of January 1, 2008 between Vale Limited and Chemtrade Logistics Inc.

Share and Unit Purchase Agreement made as of May 12, 2014 among Chemtrade Logistics Inc., Chemtrade Montreal Limited Partnership and Suncor Energy Products Inc.

XV. ADDITIONAL INFORMATION

Additional information concerning the Fund, including material contracts, is available on SEDAR at www.sedar.com.

Chemtrade's primary medium for communicating with Unitholders and other interested parties is its website – www.chemtradelogistics.com which is updated regularly with financial reports and other important information.

Additional information, including Trustees', directors' and officers' remuneration and indebtedness, principal holders of the Fund's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management information circular to be sent to the Fund's Unitholders on or about April 2, 2015 in connection with the Fund's annual meeting of Unitholders to be held on May 15, 2015.

Additional financial information is provided in the Fund's Consolidated Financial Statements and MD&A for the period ended December 31, 2014 contained in the Annual Report, and in the most recent interim financial statements and MD&A of the Fund, if any, that have been filed for any period after December 31, 2014. A copy of any such documents and this AIF may be obtained from the Corporate Secretary of the Fund upon request at Suite 300, 155 Gordon Baker Road, Toronto, Ontario, M2H 3N5.

Chemtrade will provide to any person, upon request to the Corporate Secretary:

- (a) when the securities of the Fund are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,
 - i. one copy of this Annual Information Form together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form;
 - ii. one copy of the comparative financial statements of the Fund for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Fund subsequent to the comparative financial statements for its most recently completed financial year;
 - iii. one copy of the Fund's Information Circular for its most recent Annual Meeting of Unitholders that involved the election of Trustees; and

- iv. one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under i. to iii. above;
or
- (b) at any other time, one copy of the documents referred to in (a) i, ii. and iii. above, provided that the Fund may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Fund.

Appendix A

AUDIT COMMITTEE CHARTER

for

CHEMTRADE LOGISTICS INCOME FUND

I. GENERAL MANDATE

1. The Audit Committee (the “Committee”) is a standing committee of the Board of Trustees (the “Board” or the “Trustees”) of Chemtrade Logistics Income Fund (the “Fund”).
2. The Committee shall provide assistance to the Board in fulfilling its oversight responsibilities to unitholders, regulators and the investment community relating to:
 - (a) the quality and integrity of the Fund’s financial statements and financial reporting process.
 - (b) the qualifications, performance and independence of the external auditor (the “Auditor”).
 - (c) the Fund’s compliance with legal and regulatory requirements to the extent that such requirements are relevant to the integrity of the Fund’s financial statements.
 - (d) the identification, assessment and management of risks.
3. The Committee shall maintain free and open means of communication between the Trustees, the Auditor and the financial management of the Fund.
4. In carrying out its responsibilities, the Committee shall endeavour to maintain flexible policies and procedures in order to be able to react to changing conditions and to ensure the Board and unitholders that the corporate accounting and financial reporting practices of the Fund are in accordance with all statutory requirements and of the highest quality.

II. COMPOSITION, ORGANIZATION AND PROCEDURES

1. *Composition* - The Committee shall consist of at least three Trustees.
2. *Independence* – Each of the Committee members shall be “independent” (as such term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Fund’s securities are listed for trading) and none of the members shall have participated in the preparation of financial statements of the Fund or any of the Fund’s current subsidiaries at any time over the past three years.
3. *Financial Literacy* – Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee. “Financially literate” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be

raised by the Fund's financial statements. Each member of the Committee must meet any other standards required by applicable securities laws or stock exchange rules.

4. *Quorum* - A quorum shall consist of a majority of the members.
5. *Delegation* - The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.
6. *Meetings* - In accordance with the Declaration of Trust, proper notice of meetings shall be given and meetings may be held by telephone. The Chair of the Committee will determine both the agenda for the meeting and the material to be circulated by management to the Committee.
7. *Separate Executive Meetings* - The Committee, or a representative thereof, shall meet periodically (at least annually) with the Chief Financial Officer ("CFO") and the Auditor in separate executive sessions. Items to be discussed include the Auditor's evaluation of financial and accounting personnel, the extent of cooperation that the Auditor received during the course of the audit, as well as any matters the Committee or each of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. The Committee shall also meet periodically without management present.
8. *Frequency of Meetings* - The Committee shall meet at least four times per year in order to review the quarterly and annual financial statements.
9. *Reporting to the Board* - The Committee shall report through the Committee Chair to the Board following meetings of the Committee in respect of matters considered by the Committee, its activities and compliance with this Charter.
10. *Professional Assistance* - The Committee may engage such legal, accounting, financial, or other consultants as the Committee may deem appropriate, in its sole discretion, at the Fund's expense and may set and pay the compensation for any consultants employed by the Committee. The Committee shall not be required to obtain the approval of the Trustees in order to retain or compensate such consultants or advisors. The Committee may require the Auditor to perform such supplemental reviews or audits as the Committee may deem desirable.

III. RESPONSIBILITIES

The specific responsibilities of the Committee are set out below.

A. Financial Statement Integrity

1. *Financial Statement Review* - The Committee shall review and discuss with management and the Auditor the Fund's unaudited interim and audited annual financial statements and related Management's Discussion and Analysis ("MD&A"), together with (in the case of audited annual financial statements) the report of the Auditor thereon and, if appropriate, recommend to the Board that it approve such statements and related MD&A prior to their release to the public.
2. *Meeting with Auditor & Management* - As part of each meeting at which the Committee recommends that the Trustees approve the annual audited financial statements or the quarterly financial statements, the Committee shall meet separately with the Auditor and with management.
3. *Other Material Financial Disclosure* - The Committee shall discuss with management and the Auditor any other material financial disclosure that may be released by the Fund, including:

- (a) The types of information to be disclosed and the type of presentation to be made in connection with earnings news releases; and
- (b) News releases containing financial information especially in respect of any use of information which is not expressed as required by the accounting standards adopted by the Fund (non-GAAP or non-IFRS).

The Committee shall, if appropriate, recommend to the Board that it approve any such financial disclosure prior to its release to the public.

The Committee must be satisfied that adequate procedures are in place for the review of the Fund's public disclosure of financial information, including financial information that is extracted or derived from the Fund's financial statements and shall periodically assess the adequacy of those procedures.

4. The Committee shall review and discuss with management and the Auditor:

- (a) *Accounting Presentation* - Major issues regarding accounting principles and financial statement presentation, including any significant changes in the Fund's selection or application of accounting principles and major issues as to the adequacy of the internal controls of the Fund and its subsidiaries (the "Organization") and any special audit steps adopted in light of material control deficiencies;
- (b) *Analyses* - Analyses prepared by management and/or the Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of accounting policy choices on the financial statements.
- (c) *Off-Balance Sheet Structures* - The effect of regulatory and accounting initiatives, as well as off-balance sheet structures (Special Purpose Entities) on the Fund's financial statements; and
- (d) *Certification* - Management certification of the financial statements as required by applicable securities laws in Canada or otherwise.

B. Auditor Appointment, Qualifications, Independence and Performance

- 1. *Oversight of Auditor* - The Committee shall be responsible for the appointment, compensation and oversight of the work of the Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund.
- 2. In the discharge of this responsibility, the Committee shall:
 - (a) *Choice of Audit Firm* - Have sole responsibility for recommending to the Board (i) the audit firm to be proposed to the Fund's unitholders for appointment as Auditor at the Annual General Meeting; and (ii) that the Trustees should recommend to the Fund's unitholders that the incumbent Auditor be removed from office at any time;
 - (b) *Auditor's Engagement* - On an annual basis, review the terms of the Auditor's engagement, including the function generally, the objectives, staffing, reliance upon management and general audit approach and scope of proposed audits of the financial statements of the Fund and its subsidiaries, the overall audit plans, the responsibilities of

management and of the Auditor, the audit procedures to be used and the timing and estimated budgets of the audits.

- (c) *Auditor's Fees* - Discuss the audit fees with the Auditor and be solely responsible for approving such fees; and
 - (d) *Auditor Accountable to Trustees* - Require the Auditor to confirm in its engagement letter each year that the Auditor is accountable to the Trustees and Committee as representatives of unitholders.
3. *Auditor Independence* - The Committee shall satisfy itself as to the independence of the Auditor. In the discharge of this responsibility the Committee shall:
- (a) Assure the regular rotation of the engagement audit partner as required by law and consider whether, in order to ensure continuing independence of the Auditor, the audit firm that serves as Auditor should be rotated periodically;
 - (b) Require the Auditor to submit to the Committee annually a formal written statement delineating all relationships between the Auditor and the Organization and to report quarterly thereon. The Committee is responsible for actively engaging in a dialogue with the Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the Auditor and for recommending that the Trustees take appropriate action in response to the Auditor's report to satisfy itself of the Auditor's independence; and
 - (c) Confirm the policy that the Organization shall not hire partners or employees of the Fund's current or former Auditor who have worked on matters for the Organization until such time as a period of two years has passed since the partner or employee last worked on matters for the Organization.
4. *Conduct of Audit*- The Committee shall review any problems experienced by the Auditor in conducting the audit, including any restrictions on the scope of the Auditor's activities or access to requested information. It shall review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the Auditor.
5. *Material Audit Issues* - The Committee shall review with the Auditor any accounting adjustments that were proposed by the Auditor, but were not made by management; and communications between the audit team and the audit firms' national office respecting material auditing or accounting issues presented by the engagement; and any management or internal control letter issued, or proposed to be issued by the Auditor to the Fund.
6. *Non-Audit Services* - The Committee shall either pre-approve any non-audit services provided by the Auditor to the Organization, or adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approved services and procedures are detailed as to the particular service, the Committee is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.
7. *Delegation re Non-Audit Services* - The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services to the full Committee at its first scheduled meeting following such pre-approval.

8. *Non-Recognition* - The Committee shall instruct management to promptly bring to its attention any services provided by the Auditor which were not recognized by the Organization at the time of the engagement as being non-audit services.
9. *Evaluation of Auditor* –On an annual basis, the Committee shall evaluate the performance of the Auditor, and present its conclusions to the Board. In connection with the evaluation, the Committee shall review and evaluate the performance of the engagement partner of the Auditor and obtain the opinions of management with respect to the performance of the Auditor. The Committee may also obtain and review a report by the Auditor describing:
 - (a) The Auditor’s internal quality-control procedures;
 - (b) Any material issues raised in the most recent three year period respecting the Auditor by internal review, peer review or pursuant to inquiries by governmental or professional authorities, respecting one or more independent audits carried out by the Auditor, and steps taken to deal with any such issues; and
 - (c) All relationships between the Auditor and the Organization (for the purposes of assessing the Auditor’s independence).
10. *Management Interaction with Auditor* –The Committee shall review management’s evaluation of the Auditor’s audit performance on an annual basis; and shall review as necessary management’s response to and subsequent follow-up on any weaknesses identified by the Auditor and management’s response to significant internal control recommendations of the Auditor.

C. Compliance with Legal and Regulatory Requirements

1. *Financial Reporting* - The Committee shall confirm with the Auditor that financial reporting is in compliance with all current regulatory reporting requirements.
2. *Related Party Transactions* – Each quarter, the Committee shall review with the Auditor the procedures in place to identify related party transactions, payments and procedures in order to ensure their propriety and appropriateness. The Committee shall review all related party transactions in which the Organization is involved or which the Organization proposes to enter into and shall make such recommendations as may be appropriate.
3. *Complaints and Hotline* - The Committee shall establish procedures for the receipt, retention and treatment of (a) complaints received by the Board or the Organization regarding accounting, internal accounting controls or auditing matters; and (b) confidential, anonymous submissions by employees of the Organization of concerns regarding questionable accounting or auditing matters, and shall review such procedures annually.
4. *Public Disclosure* – On an annual basis, the Committee shall review all disclosure relating to the Committee in the Fund’s public disclosure documents.

D. Identification, Assessment and Management of Risk

The Committee shall review the identification, assessment and procedures outlined by management to manage risk periodically, but no less than once every two years, as follows:

1. *Management Risk Identification* - Management will present to the Committee a list of major operations and financial risks, and outline the possible consequences of each risk as well as the process or routine in place to share, reject or mitigate each risk.
2. *Committee Review* - The Committee shall receive regular reports from management and receive comments from the Auditor on the Organization's principal financial risks (including financial guarantees and commitments), the systems implemented to monitor those risks and the strategies (including internal control systems and hedging strategies) in place to manage those risks. The Committee shall recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.
3. *Insurance* – On an annual basis, the Committee shall review the Organization's insurance program, with specific reference to the levels of deductibles and retentions. The Committee will review the financial stability of the insurance companies that are underwriting the Organization's insurance program.
4. *Trustee Protection* – On an annual basis, the Committee shall review the directors' and officers' insurance policy of the Fund and make recommendations for its renewal or amendment or the replacement of the insurer.
5. *Trustee Indemnification* - Subject to applicable laws and the Fund's Declaration of Trust, the Committee is responsible for administering all policies and practices of the Fund with respect to the indemnification of Trustees by the Fund and for approving all payments made pursuant to such policies and practices.
6. *Litigation* – On an annual basis or more frequently as required, the Committee shall review any outstanding litigation.

E. Additional Matters

1. *Finance Matters* – The Committee shall receive and review reports on various finance matters, including:
 - (a) periodic reports on compliance with requirements regarding statutory deductions and remittances;
 - (b) material policies and practices of the Fund respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Fund; and
 - (c) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.
2. *CFO Appointment* – The Committee shall review and recommend to the Board for approval the CFO candidate prior to his or her appointment.
3. *Delegated Matters* - The Committee shall review and approve, as appropriate, any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and contribute to the success of the Organization and enhance unitholder value.

F. Committee and Charter Assessment

1. *Performance Assessment* - On an annual basis, the Committee shall follow the process established by the Trustees and overseen by the Corporate Governance and Compensation Committee for assessing the performance of the Committee.
2. The Committee shall review and assess the adequacy of the Committee Charter annually and recommend to the Board any changes it deems appropriate.