



Suite 300, 155 Gordon Baker Road
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ANNUAL INFORMATION FORM
for the year ended December 31, 2018

March 1, 2019

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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: gasoline consumption and U.S. gasoline exports; the end of certain contractual arrangements and ability to enter into new contractual arrangements; the timing and ability of Chemtrade to maintain current anti-dumping regulations and countervailing duties; the intention of the Port to exercise its option to purchase at the end of the applicable contract term and the Port’s willingness to discuss alternatives; court approval of settlement matters; the cost or impact of compliance with transportation regulations; the ability of Chemtrade to access tax losses and tax attributes; available tax deductions and application of certain taxes to Chemtrade; 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; the timing and ability of Chemtrade and third parties to complete certain environmental settlement and real property closing actions; and the intention of Suzano to not renew its contract upon expiry and Suzano’s willingness to explore alternatives. Forward-looking information in this AIF describes the expectations of Chemtrade as of the date hereof. This information is based on assumptions and 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 the Fund’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, among other things: 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. Except as required by law, Chemtrade does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or for any other reason, 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, 2018

March 1, 2019

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 12, 2016, (the “**Declaration of Trust**”). The Fund’s income is derived from its 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 subsidiaries (all of the Fund’s subsidiaries collectively, “**Chemtrade**”). The affairs of the Fund are supervised by its board of trustees (the “**Board**” or the “**Trustees**”). Together with the boards of directors of the subsidiaries, the Board assumes the overall stewardship responsibility for the Fund and Chemtrade including for strategic planning, financial reporting integrity, risk oversight, commitment to Responsible Care®, management’s organizational development and investor relations. The registered and head office of the Fund is located at 155 Gordon Baker Road, Suite 300, Toronto, Ontario, M2H 3N5.

As of December 31, 2018, there were 92,596,006 units of the Fund (“**Units**”) issued and outstanding as well as \$126.5 million principal amount of 5.25% convertible unsecured subordinated debentures due June 30, 2021 (the “**2014 Debentures**”), \$143.8 million principal amount of 5.00% convertible unsecured subordinated debentures due August 31, 2023 (the “**2016 Debentures**”), and \$201.3 million principal amount of 4.75% convertible unsecured debentures due May 31, 2024 (the “**2017 Debentures**”).

The information in this AIF is given as of December 31, 2018 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 seven 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 operates a diversified business providing industrial chemicals and services to customers in North America and around the world. Chemtrade is one of North America’s largest suppliers of sulphuric acid, spent acid processing services (“**regen acid**”), inorganic coagulants for water treatment, sodium chlorate, sodium nitrite, and phosphorus pentasulphide (“**P₂S₅**”). Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide (“**liquid SO₂**”), potassium chloride, sodium hydrosulphite (“**SHS**”) and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams.

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 60 production facilities that can be classified into:

1. sulphuric acid / regen acid / ultra pure acid / sodium bisulphite ("**SBS**") and liquid SO₂ facilities;
2. water treatment chemical facilities;
3. sodium chlorate facilities;
4. chlor-alkali facilities;
5. liquid SHS / zinc oxide facility;
6. specialty chemical facilities for the production of:
 - a. P₂S₅;
 - b. potassium chloride ("**KCL**");
 - c. sodium nitrite; and
 - d. vaccine adjuvants; and
7. specialized services for:
 - a. ammonia scrubber effluent processing;
 - b. hydrogen sulphide ("**H₂S**") processing; and
 - c. sulphur prilling.

In addition to its manufactured products, Chemtrade markets quantities of sulphur, SHS, liquid SO₂ and sulphuric acid obtained through marketing arrangements with strategic suppliers.

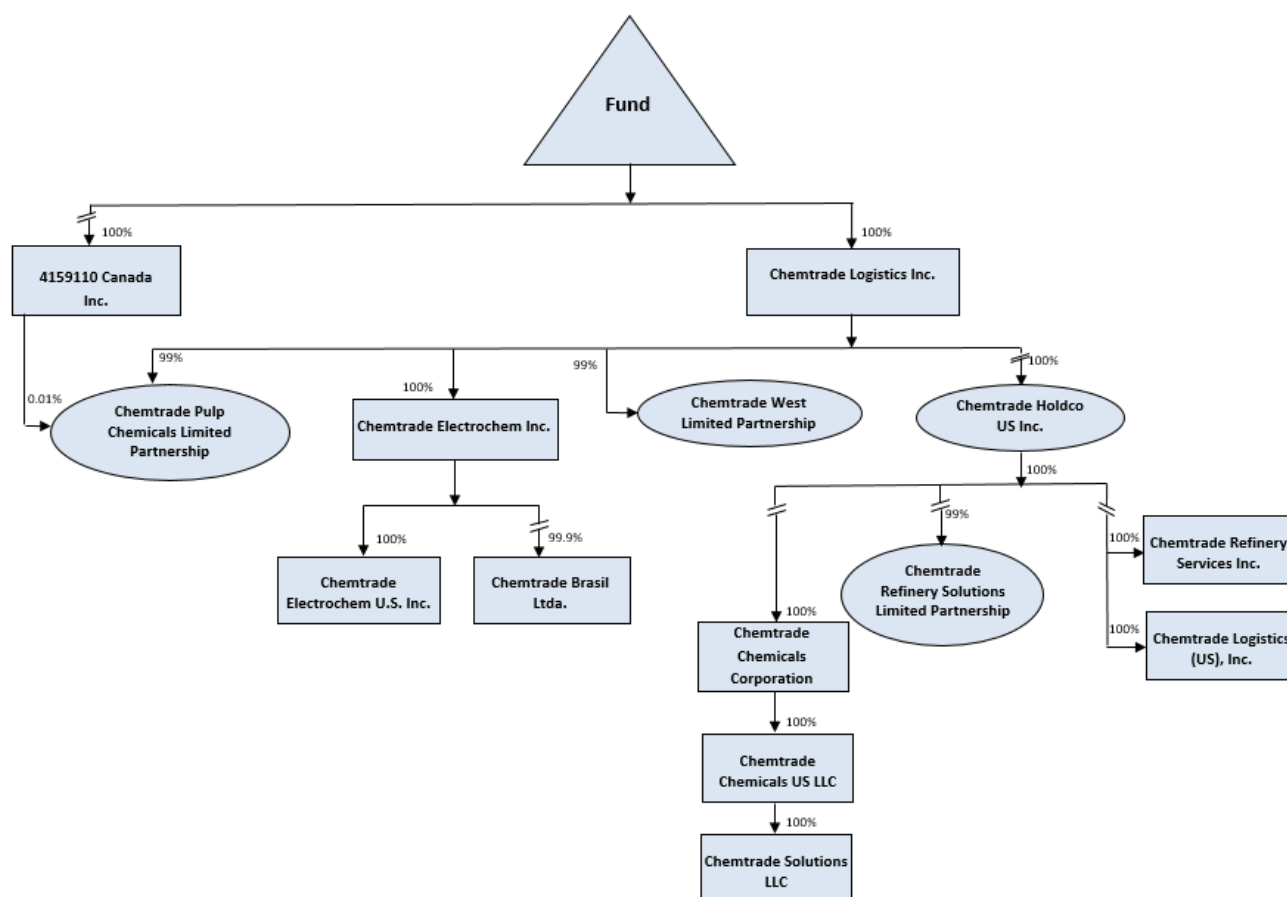
Chemtrade's supply volumes are primarily sourced through its own production facilities. Certain products (in particular sulphuric acid) are also procured via long-term marketing services arrangements with industrial producers and other chemical producers. The industrial producers include base metal smelting and refining operations that generate sulphuric acid, liquid SO₂ and sulphur as by-products of their production processes. This sourcing model provides multiple sources of supply for customers and lower costs and capital requirements for Chemtrade.

3. **Intercorporate 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 Electrochem Inc.	Alberta
Chemtrade Electrochem U.S. Inc.	Delaware
Chemtrade Brasil Ltda.	Brazil
Chemtrade West Limited Partnership	Ontario
Chemtrade Holdco US Inc.	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. In the past three years, Chemtrade has continued to pursue this mandate with a significant acquisition and a strategic disposition.

1. Canexus Acquisition

On March 10, 2017, Chemtrade completed the acquisition of all the issued and outstanding common shares of Canexus Corporation (“**Canexus**”) (the “**Canexus Acquisition**”) and Canexus amalgamated with certain subsidiaries with the resulting entity’s name being Chemtrade Electrochem Inc. (“**Chemtrade Electrochem**”). The Canexus Acquisition increased the scope and scale of Chemtrade’s existing business portfolio and diversified Chemtrade’s sources of earnings through the expansion of Chemtrade’s sodium chlorate business and the addition of a chlor-alkali segment. It also extended Chemtrade’s geographic reach into South America.

2. Electrochemicals (EC) Segment

As part of the integration of the newly acquired businesses, in 2017 Chemtrade reconfigured its business segments in North America and introduced a new segment called Electrochemicals, which includes the sodium chlorate business already owned by Chemtrade together with the newly acquired businesses.

3. International Business Segment Divestiture

On May 31, 2017, Chemtrade closed the sale of its International Business segment by selling the shares of Chemtrade Aglobis AG to Mitsui & CO., Ltd. and Mitsui & CO. Deutschland GmbH. The business provided removal and marketing services for elemental sulphur and sulphuric acid to customers outside North America. This business had formed part of the assets that were part of the Fund's initial public offering ("IPO") and had been expanded in 2005 with the acquisition of a German chemical trading and removal services business. A major sulphuric acid supply source had ceased merchant production, resulting in Chemtrade's decision to divest the business.

III. DESCRIPTION OF THE BUSINESS

1. Business Segments

Chemtrade operates in four business segments: Sulphur Products & Performance Chemicals ("SPPC"), Water Solutions & Specialty Chemicals ("WSSC"), Electrochemicals ("EC") and Corporate. These 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, and environmental, health and safety support.

2. Segmented Financial Disclosure

For the period from January 1, 2018 to December 31, 2018, revenue from SPPC, WSSC and EC represented 32%, 27%, and 41%, respectively, of Chemtrade's aggregate revenue from continuing operations.

The segmented financial disclosure is provided as at December 31 for 2018 and 2017 years (in thousands of dollars).

	2018					2017					
	SPPC	WSSC	EC	Corp.	Total	SPPC	WSSC	EC	Intl.	Corp.	Total
Revenue	\$ 509,765	\$ 430,311	\$ 655,671	\$ -	\$ 1,595,747	\$ 509,373	\$ 411,935	\$ 547,830	\$ -	\$ -	\$ 1,469,138
Earnings (loss) before the undernoted	86,418	77,300	193,442	(160,937)	196,223	112,892	88,836	156,720	-	(75,273)	283,175
Unrealized foreign exchange (loss) gain	-	-	-	(1,826)	(1,826)	-	-	-	-	(2,027)	(2,027)
Depreciation and amortization	(72,410)	(51,784)	(90,313)	-	(214,507)	(72,613)	(52,578)	(79,256)	-	-	(204,447)
Gain (loss) on disposal and write-down of assets	4,039	-	-	-	4,039	(38)	(25)	(4,435)	-	-	(4,498)
Impairment of goodwill	-	(90,000)	-	-	(90,000)	-	-	-	-	-	-
Net finance costs	(13,728)	(17,876)	(18,742)	(23,780)	(74,126)	(18,676)	(19,341)	(19,518)	-	(28,538)	(86,073)
Income tax recovery (expense)	14,450	26,371	(15,881)	23,740	48,680	40,582	61,437	(7,931)	-	(1,396)	92,692
Net earnings (loss) from discontinued operations	-	-	-	-	-	-	-	-	68,537	-	68,537
Net earnings (loss)	18,769	(55,989)	68,506	(162,803)	(131,517)	62,147	78,329	45,580	68,537	(107,234)	147,359
Total assets	1,037,264	866,519	962,830	10,475	2,877,088	1,014,929	932,318	1,023,034	-	13,047	2,983,328
Intangible assets	429,506	465,486	272,644	-	1,167,636	419,341	545,957	303,308	-	-	1,268,606
Capital expenditures	31,472	31,131	28,510	1,253	92,366	24,593	23,769	24,659	169	1,754	74,944

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, SBS, SHS and sulphides. 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, WA facility (prilling molten (liquid) sulphur). These products and services, with the exception of a portion of Mount Vernon, WA facility, are typically supplied to North American customers.

Chemtrade manufactures a portion of its North American merchant sulphuric acid supply, with the balance being obtained primarily from industrial producers. Chemtrade manufactures or processes the large majority of its regen acid and ultra pure acid, SBS and liquid SHS at its own facilities. Sulphur is obtained under marketing agreements with various suppliers. Powder SHS is obtained from Chinese producers.

(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 nine manufacturing facilities. The main raw material for Chemtrade’s production of Acid is either sulphur or spent acid. Sulphur is supplied by various sources (mostly refineries) and pricing is typically adjusted with the Tampa “Green Markets” posting, which is a frequently used industry pricing index. Regen acid is produced 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) industrial producers who: (A) capture 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 Vale Canada Limited (“**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, mining & metals, batteries and corn processing industries and to wholesale distributors. Water treatment plants, including Chemtrade’s own 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* – Oil refineries and some chemical plants require large amounts of sulphuric acid to use as a catalyst for chemical reactions in their alkylate manufacturing processes. Once processed, these large quantities of ‘spent acid’ are then shipped from the oil refineries and chemical plant facilities to Chemtrade for processing or regeneration into fresh sulphuric acid. The fresh replacement sulphuric acid is typically returned to the refinery/manufacturer or sold into the merchant market. In addition to the spent acid, other key inputs/costs are sulphur, natural gas, oxygen, caustic and freight. Most of these costs are indexed in pricing formulas in customer contracts and cost variances are passed on to the customers.

Alkylates are manufactured from various product streams within the refinery and are vital to achieve the desired octane number in gasoline such that fuel efficiency targets for vehicles are met. U.S. gasoline consumption has steadily increased over the past five years due to increased driving activity (miles) supported by lower retail prices across the country. These forces are projected to continue through 2019 and will continue to offset gains in fuel efficiency. Longer range forecasts, however, for North American

gasoline consumption continue to show a slight decline (CAGR -0.3%) due to increasingly stringent fuel efficiency standards, increase in ethanol blending and penetration of electric vehicles. U.S. exports of gasoline continue to grow (primarily from the Gulf Coast) and are expected to offset the slight U.S. domestic demand decline over the same period.

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 nine sulphuric acid manufacturing facilities (at Tulsa, OK; Cairo, OH; Riverton, WY; and Richmond, CA) also produce ultra pure acid. Ultra pure acid is produced 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 shipped in specialty containers and requires rigorous control on quality as it is used in the process of etching and cleaning silicon wafers in the production of semi-conductors. This market space requires a continuous improvement mindset to stay apace with the high quality demands of, and expansions in, the semi-conductor industry.

(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 two sources: (1) its Prince George, BC manufacturing facility; and (2) from "on-purpose" industrial producers in the United States. The principal uses for liquid SO₂ are (A) as a raw material in the production of liquid SHS, with Chemtrade's SHS production facility as a significant consumer of liquid SO₂; and (B) in water treatment and in pulp and paper production.

(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 produced by Chemtrade from zinc powder, caustic soda and liquid SO₂ at its facility in Leeds, SC or by dissolving powder SHS. All powder SHS sold in North America is imported, principally from China.

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. 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 five of its sulphuric acid facilities, as well as 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 through a contractual arrangement with an affiliate of Suncor Energy Inc., which will end in July of 2019. After a short period of self-marketing, in late 2018, Chemtrade returned to marketing most of its SBS through third party marketers. 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.

(v) Sulphur

All of the molten (liquid) sulphur purchased and sold by Chemtrade is produced as a by-product by industrial 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 industrial 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.

(vi) Sulphides - Carbon Disulphide (CS₂) and Hydrogen Sulphide (H₂S)

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) 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, WA, Marathon Petroleum Corp. (formerly Andeavor) ("**Marathon**") owns a sulphur recovery unit ("**SRU**") which is operated by Chemtrade to produce molten sulphur.

(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 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, 2021. In 2017, Vale moved to a single-furnace operation at its Copper Cliff, ON smelter, which reduced the amount of by-product sulphuric acid that Chemtrade receives from Vale compared to prior years.

Chemtrade's other key suppliers of sulphuric acid, liquid SO₂ and sulphur in North America include Sheritt, Irving Oil Limited, Consumers' Co-operative Refineries Limited, Sinclair Oil and others. During 2018, Chemtrade also obtained supply from Climax Molybdenum Company and Met Mex Pen  les, S.A. de C.V., neither of which has been renewed for 2019.

Producer agreements are of varying duration and are structured to mitigate Chemtrade's exposure to volume, sales price and transportation cost changes through risk sharing contracts. These contracts enable Chemtrade to share the foregoing risks with producers by having payments to producers adjusted by a percentage of movements in the sales price realized and transportation costs borne by Chemtrade on the sale of such products.

See “RISK FACTORS– Risks related to the Business and the Industry - Reliance on Significant Producers” (section VI.1(q)) for a further discussion of Chemtrade’s dependence on certain significant producers.

(ii) Processing Services

At Chemtrade’s Fort McMurray, AB facility, Chemtrade performs processing services for Syncrude 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 Marathon for the operation of Marathon’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

(A) In North America, Chemtrade’s customers operate in a variety of industries, including pulp and paper, refineries, chemicals manufacturing, automotive, textiles, kaolin clay, water treatment, mining and semi-conductor production. *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 sulphuric acid customers are annual contracts or purchase orders. Sulphuric acid is sold to chemical manufacturing customers and pulp and paper, utilities, and mining and 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.

(B) *Regen Acid* – Customers for regen acid 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.

There is typically very little turnover of customers due to contract length terms of up to seven years 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 most of the 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.

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.

The majority of both liquid and powder SHS sales are to paper industry and kaolin clay customers with the balance to 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. Chemtrade operates Marathon's SRU in Anacortes, WA for the processing of hydrogen sulphide into sulphuric acid.

(I) *Sulphides (CS₂ and H₂S)* - There are niche markets for hydrogen sulphide and carbon disulphide, with Chemtrade being 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. Hydrogen sulphide is used in nickel refining, specialized chemical manufacturing and has a number of niche applications, such as the manufacture of photo-voltaic cells. Pricing for these products varies based upon supply-demand balance, and generally varies in response to changes in the price of key raw materials, being sulphur and natural gas.

(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 producer of ultra pure acid and a top three leading marketer of sulphuric acid. Key competitors of Chemtrade in North America, by product market are:

Sulphuric Acid: Veolia North America, Eco Services, Glencore plc, Southern States Chemical Company, Kennecott Utah Copper LLC, and International Raw Materials LTD.

Regen Acid: Eco Services, Veolia North America, PVS Chemical Solutions Inc. and the refiners themselves.

Ultra Pure Acid: Honeywell International Inc. ("**Honeywell**"), PVS Chemical Solutions Inc. and imports from overseas.

Liquid SO₂: INEOS Calabrian Corporation and PVS Chemical Solutions Inc.

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

SHS: Hydro Technologies (Canada) Inc., Vertellus Specialties Inc. and Transpek-Silox Industry Ltd.

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

Sulphides: AkzoNobel Sulfur Derivatives.

4. Water Solutions and Specialty Chemicals (WSSC)

(a) Segment Overview

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, P_2S_5 , and aluminum hydroxide vaccine adjuvants. These products are marketed primarily to North American customers, with water treatment chemicals being sold to both municipal and industrial customers, and 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 of all Products	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	<ul style="list-style-type: none">• Remove suspended impurities in water• Useful in phosphorus removal• Used in paper production for sizing and wastewater 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) phosphorus removal, (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 (“**API**”) grade potassium chloride, as well as one of two North American manufacturers of P_2S_5 .

(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. Alum is also used in the poultry industry as litter treatment to control ammonia.

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) Phosphorus Pentasulphide (P_2S_5)

P_2S_5 is 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.

(vi) 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.

(vii) Potassium Chloride

Chemtrade produces high-purity potassium chloride which is used as an API in custom pharmaceutical formulations for time-release applications, food as a salt alternative, vitamin/nutraceutical 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.

(viii) 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.

(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) P₂S₅

Chemtrade is one of only two North American producers of P₂S₅, with an approximate 40% share of the North American market. Sales agreements are generally one to three years in duration. Product pricing is closely linked to the raw material price of elemental phosphorus and sulphur, the two main raw materials. Chemtrade sources elemental phosphorus direct from various overseas sources as well as from a U.S. source through Perimeter Solutions (“**Perimeter**”) (formerly, Israeli Chemicals Limited). Sulphur is sourced from multiple suppliers.

(iii) Sodium Nitrite

Chemtrade is the sole North American manufacturer of sodium nitrite. Anti-dumping regulations and countervailing duties by the U.S. Commerce Department have been in place since 2008 against suppliers of sodium nitrite from Germany and China (“**Anti-dumping Regulations and Countervailing Duties**”). These were renewed in January 2014 for another five year period until January 2019. Chemtrade is pursuing an additional five year renewal of the Anti-dumping Regulations and Countervailing Duties. See “Loss of Anti-dumping Protection” in the “**RISK FACTORS – Risks Related to the Business and Industry**” section (see sections VI.1.(bb)). Soda ash and anhydrous ammonia are the main raw materials for the manufacture of sodium nitrite.

(iv) 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 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 semi-conductors found in electronic products like smartphones. Potash is the main raw material in manufacturing potassium chloride.

(v) Vaccine Adjuvants

Chemtrade manufactures a line of aluminum-based products used in vaccine and in 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.

(d) Competition

The water treatment chemicals market is a regional market, in which proximity to customers plays a key role in competitiveness. Because certain water treatment chemicals 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, Pencco, Inc., PVS Chemicals, Inc., and ALTIVIA Chemicals, LLC.

P₂S₅: Perimeter (SK Capital Partners, Phosphorus Derivatives Inc.)

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: Croda International Plc and SPI Pharma, Inc.

5. Electrochemicals (“EC”)

(a) Segment Overview

The EC segment manufactures and markets sodium chlorate and chlor-alkali products largely for the pulp and paper, oil and gas and water treatment industries. These products are marketed primarily to North American and South American customers. The EC segment consists of two product groups, sodium chlorate and chlor-alkali, that use electrolysis in the manufacturing process.

Chemtrade produces sodium chlorate at its manufacturing facilities located in Brandon, MB; Espirito Santo, Brazil; Prince George, BC; and Beauharnois, QC. The Prince George, BC facility also produces crude tall oil.

The chlor-alkali products are produced at manufacturing facilities located in North Vancouver, BC and Espirito Santo, Brazil.

(b) EC Products

(i) Sodium Chlorate

Sodium chlorate is an inorganic chemical manufactured through the electrolysis of brine. Sodium chlorate is primarily used by customers to produce chlorine dioxide, an environmentally preferred bleaching agent used in the production of bleached pulp. The pulp and paper industry consumes more than 95% of the sodium chlorate produced in North America. A minor amount of sodium chlorate is also used in the production of agricultural herbicides and defoliants, perchlorates and in water treatment applications.

(ii) Chlor-alkali

The chlor-alkali industry's primary products are caustic soda and chlorine. Some of the chlorine may also be used to produce hydrochloric acid. The primary method used to produce caustic soda and chlorine is through the electrolysis of brine, with the co-products produced on a 1:1.128 weight ratio, meaning that each metric tonne of chlorine produced results in the production of 1.128 dry metric tonnes of caustic soda.

(A) *Caustic Soda* - Caustic soda is used in numerous industries and markets, including pulp and paper, soaps and detergents, aluminum, oil and gas exploration and refining, as well as for a variety of chemical processes.

(B) *Chlorine* - Chlorine is used in a variety of chemical processes, the most significant being the production of polyvinyl chloride, or “PVC”. Other segments rely on chlorine for the production of urethanes, fluorocarbons, agricultural chemicals, titanium dioxide and epoxy resins, among others. Chlorine is used for potable water and waste water treatment either directly or indirectly in the form of sodium hypochlorite, as a disinfectant against a broad range of pathogenic micro-organisms.

(C) *Hydrochloric Acid* – Hydrochloric acid is a value-added upgrade from chlorine. It is required in numerous applications such as oil and gas drilling, steel manufacturing and food and grain processing.

(c) Contractual Arrangements

(i) Sodium Chlorate (North America)

Sodium chlorate production in North America is marketed to numerous pulp and paper mills under contracts with original terms of typically one to three years. The terms of the contracts generally provide for both pricing and volume revisions as market fundamentals and competitive situations dictate.

Electricity costs represent between 70% to 80% of the total variable costs in the production of sodium chlorate in North America. Chemtrade's facilities are located in regions supplied by stable, regulated, relatively low-cost hydroelectric power. Chemtrade's largest production facility is located in Brandon, MB, which is one of the lower cost power regions in North America.

Salt represents the second highest variable cost in the production of sodium chlorate at approximately 15% of total variable costs. Both the Brandon, MB and Prince George, BC facilities obtain salt supply from strategic vendors that have made multi-year commitments to Chemtrade with expiry dates of no earlier than December 31, 2019. The Beauharnois, QC facility obtains brine from the adjacent Westlake Chemical Corporation's ("**Westlake**") chlor-alkali facility.

Caustic soda is used in the production of sodium chlorate and in the case of the Prince George, BC facility, also in the production of crude tall oil. Caustic soda is self-supplied from Chemtrade's North Vancouver, BC facility and shipped by rail to Chemtrade's Brandon, MB and Prince George, BC facilities.

Certain support services (effluent treatment, steam supply, water supply and caustic soda negotiation services) have been provided by Canfor Corporation ("**Canfor**") to the Prince George, BC facility pursuant to a long-term services agreement with Canfor. As of August 2018, the agreement was terminated but the supply has continued while the parties work towards finalizing a new long-term services agreement. The Beauharnois, QC facility has a long-term services agreement with Westlake whereby certain support services (brine, effluent treatment, steam supply, water supply and caustic soda) are provided by Westlake to the Beauharnois, QC facility.

(ii) Chlor-alkali (North America)

The chlor-alkali industry in North America has diverse end-use markets and is characterized by cyclical demand and pricing which are determined by global and regional factors, including economic cycles. Chlor-alkali pricing is primarily driven by demand, capacity utilization and the costs of electricity and natural gas.

Caustic soda, chlorine and hydrochloric acid are all used in applications in which they are either essential or where potential alternatives are economically unattractive. As a result, supply security is important to buyers of all three products and is generally secured with multi-year contracts.

Approximately 75% of the caustic soda produced at the North Vancouver facility is consumed by pulp mills in Western Canada and the Pacific Northwest, with the balance sold for general industrial applications in various markets, including the oil and gas industry. Chlorine produced at the North Vancouver facility is consumed internally for the production of hydrochloric acid and sold regionally into various markets, including the water treatment and chlorine derivatives segments. Chemtrade has targeted regional water treatment companies as a primary outlet for its chlorine production. Hydrochloric acid, used in multiple industrial applications, including the oil and gas industry, in British Columbia, Alberta and the Pacific Northwest, consumes 40% to 60% of the North Vancouver facility's chlorine production.

Energy costs are a significant factor having an impact on the relative and absolute profitability of individual chlor-alkali manufacturing facilities, and the specific electrochemical technology employed further dictates overall energy consumption. Membrane cell technology, which is the newer and more efficient technology, is used at both of Chemtrade's chlor-alkali facilities.

(iii) Sodium Chlorate and Chlor-Alkali (South America)

In South America, Chemtrade's sodium chlorate and chlor-alkali production facility is located 60 kilometres north of Vitória in the state of Espírito Santo, Brazil. The production facility is located on a site immediately adjacent to a eucalyptus pulp mill complex owned by its largest customer Suzano Papel e Celulose S.A. (formerly, Fibria Celulose S.A.) ("**Suzano**"), the largest eucalyptus pulp producer in the world. Sodium chlorate and caustic soda is delivered to Suzano by pipeline. Pursuant to Chemtrade's long-term contract with Suzano which expires in December 2026, Chemtrade sells most of its sodium chlorate and almost all of its caustic soda to Suzano. The remainder of the Chemtrade facility's production is sold to the merchant market, where sodium chlorate, chlorine and hydrochloric acid are shipped to regional customers by truck.

Energy costs represent the largest portion of the total variable production costs for the South American sodium chlorate and chlor-alkali business. Salt is the second largest component of variable production costs.

(d) Competition

(i) North America

The key competitors of Chemtrade in North America by product market are:

Sodium chlorate: ERCO Worldwide, a division of Superior Plus LP, Eka, a division of Nouryon and Kemira Water Solutions Inc.

Chlor Alkali: Univar, ERCO Worldwide, a division of Superior Plus LP, Westlake Chemical Corporation, Olin Corporation, US Magnesium LLC, K2 Pure Solutions, Occidental Chemical Corporation, Shintech Inc. and Formosa Plastics Corporation

(ii) South America

Chemtrade's sodium chlorate and chlor-alkali facilities located in Espírito Santo, Brazil are primarily committed to serving Suzano. The Suzano supply arrangement is subject to a long-term contract reducing the potential for competitive activity. Chemtrade sells a small amount of its chlorine products to the merchant market where the primary competitor is Unipar Carbocloro.

6. Facilities

The table below lists Chemtrade's principal manufacturing locations during 2018. 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
Brandon, Manitoba	Sodium Chlorate	Not applicable	Owned
Espírito Santo, Brazil	Sodium Chlorate Caustic Soda Chlorine Hydrochloric Acid Hypochlorite	Not applicable	Owned; Leased land
Midlothian, Texas	Potassium chloride Caustic pellets	Not applicable	Owned

Facility Location	Manufactured Products	Services	Ownership Information
North Vancouver, British Columbia	Caustic Soda Chlorine Hydrochloric Acid	Not applicable	Owned; Partly owned and partly leased land
Toledo, Ohio	Sulphuric acid Regen acid	Hydrogen sulphide processing	Owned equipment; Leased land
Tulsa, Oklahoma	Sulphuric acid Ultra pure acid Sodium bisulphite	Not applicable	Owned
Fort Saskatchewan, Alberta	Sodium bisulphite Aluminum sulphate	Not applicable	Owned

7. Environmental, Health and Safety and Sustainability

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

The environmental, health and safety 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, licenses, orders and other obligations 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. 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 since 2008, has held and participated in tours of nine 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 Chemtrade'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 Chemtrade's environmental, health, safety and security performance to ensure compliance with its policies.

(b) Philosophy

In 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. DNV-GL (formerly Det Norske Veritas Certification, Inc.) has been engaged as auditor since 2010. Chemtrade's compliance with 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. In 2017, Chemtrade's corporate office successfully completed transition to the RC14001:2015 standard. In 2018, Chemtrade consolidated the individual site registrations into one RC14001 certificate that includes the corporate offices and 19 manufacturing locations.

(c) Policies and Systems

Chemtrade has adopted an Environmental, Safety & Health Policy, which is reviewed periodically, most recently by the Responsible Care Committee in August 2018. 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 the Responsible Care Committee in August 2018. 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 Chemtrade, 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;
- ensure ongoing improvement through regular monitoring and reporting;
- maintain a database of corrective actions and track and verify their implementation; and
- identify management and cost-saving opportunities.

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 many of Chemtrade's North American 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. Chemtrade has secured third party RC14001 registration for 21 of its North American sites and continues to pursue RC14001 registration at additional sites as determined using a risk based approach. The Espirito Santo, Brazil facility was certified to the Brazilian equivalent of RC14001 by the Brazilian Chemical Industry Association.

(d) Sustainability – Sustainable Excellence Program

In addition to our participation in Responsible Care, Chemtrade is further enhancing its commitment to sustainability by implementing a Sustainable Excellence (“**SX**”) program. The SX program is a combination of the Responsible Care principles with operational excellence practices to encourage employee engagement by focusing on community involvement, lean manufacturing and quality. The SX program was initiated at the Toledo, OH acid facility and was rolled out to the Riverton, WY and Beaumont, TX facilities in 2018. Rollout at Tulsa, OK and Anacortes, WA is planned for 2019.

(e) 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 and strives to continually improve its safety record. 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.

(f) 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 actions 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 were 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 Israeli Chemicals Limited’s (“**ICL**”) 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 ongoing remediation being undertaken by Chemtrade’s landlord, ICL.

(D) The Fort Saskatchewan, AB (sulphides), Calgary, AB, and Saskatoon, SK operations were acquired by Chemtrade during the Marsulex Acquisition and by Marsulex from The Westaim Corporation (“**Westaim**”) and Thio-Pet Chemicals Ltd. (“**Thio**”). Pursuant to Marsulex’s purchase agreement with Westaim and Thio, environmental indemnities from Westaim and Thio in respect of the Fort Saskatchewan, AB (sulphides), Calgary, AB and Saskatoon, SK sites remain in force without limit to time and cost and cover: (i) claims relating to injuries or disease to person from exposure to hazardous substances, and (ii) remedial action required by governmental authorities under environmental laws for bona fide facility expansion/modification, to prevent hazardous substances migrating off-site, to respond to court order or third party claim, or to respond to unreasonable risk to human health and safety; for claims or losses arising from facts, circumstances, events, conditions or occurrences in existence as at or prior to December 29, 2000.

(g) Recent Activities

(i) *Certification* – As of December 31, 2018, Chemtrade has completed RC14001 certification of its environmental, health, safety and security programs at over 20 of its North American sites. The Espirito Santo, Brazil facility was certified to the Brazilian equivalent of RC14001 by the Brazilian

Chemical Industry Association. Based on a risk based approach, five additional sites will pursue RC14001 certification during 2019, 2020 and 2021.

- (ii) *Audits* – Chemtrade continued its schedule of extensive EHS audits conducted by Chemtrade personnel and external resources at its manufacturing facilities and distribution terminals during 2018. 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 2018, compliance audits were completed at seventeen sites. If additional focus is required, Chemtrade will 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.
- (iii) *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. This settlement protects GenTek and Chemtrade from future claims by the State of New Jersey and also for state-law contribution claims by third parties. The settlement does not protect GenTek or Chemtrade from potential federal law claims by the United States and others involving the continuing federal lead cleanup of the Passaic River and Newark Bay Complex.

In June, 2018, Occidental Chemical Corporation (“**Occidental**”) commenced a lawsuit against Chemtrade Chemicals Corporation (as an alleged successor to Essex Industrial Chemicals Inc.) and over 100 other defendants in the United States District Court for the District of New Jersey. Occidental alleges that the defendants are responsible for hazardous substances that were discharged into the Passaic River, and Occidental seeks to recover from the defendants costs that Occidental has incurred or will incur to address hazardous substances in the Passaic River. The lawsuit is in its early stages and it is not possible to determine whether an adverse outcome could have a material adverse effect on Chemtrade. See “Legal Proceedings and Regulatory Actions” (section XII).

- (iv) *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 parties have reached a settlement pursuant to which Chemtrade will sell a portion of its site to an affiliate of the plaintiff for brownfield development. In exchange, the lawsuit will be dismissed. Closing of these transactions is anticipated in Spring 2019.

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

(h) 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 "Operating Risks and Product Hazards" and "Risks Related to the Environment", both of which are found in the "RISK FACTORS – Risks Related to the Business and Industry" section (see sections VI.1.(i) and (n)). 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 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 for reuse or disposal, 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 the nature of the contaminants that are found in the residue, the local hydrology and hydrogeology, and 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 developing a priority list and estimated timetables for closures of its APR ponds, taking into account any required state or provincial environmental agency timelines.

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

The U.S. Environmental Protection Agency (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 was submitted in 2015 with no further comments or requests received from EPA. It is possible that the EPA could pursue a Consent Decree requiring Chemtrade to take remedial actions for any alleged non-compliance.

(c) 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.

(d) 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 alleged 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 agreed to a civil penalty of US\$70,000 and stipulation of other conditions to settle the matter. On October 31, 2014, to satisfy certain conditions for settlement, Chemtrade submitted a groundwater management zone work plan to the IEPA which included work to augment the groundwater monitoring system at the site and to close ponds containing APR and gypsum on a negotiated timeline. The work plan was approved by IEPA. Chemtrade entered into a Consent Order with IEPA

which was entered by the Circuit Court for the Twentieth Judicial Circuit St. Clair County, Illinois on July 21, 2016 to memorialize the settlement conditions. In November of 2016, as required by the Consent Decree, Chemtrade submitted a Corrective Action Plan to IEPA which included a final cover design and timeline for the pond closures and a description of the groundwater monitoring program that will be utilized to assess the effectiveness of the final pond cover system and overall site groundwater conditions. Chemtrade is required to initiate work at the site within one year of receiving approval from IEPA of the proposed Corrective Action Plan. Chemtrade is currently awaiting approval from IEPA. Failure to comply with the Consent Decree can result in exposure to daily stipulated penalties.

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

The Bay Point, CA site was originally subjected to corrective action obligations contained in a Hazardous Waste Management Permit issued to the site and pursuant to the U.S. federal *Resource Conservation and Recovery Act* (“**RCRA**”). Chemtrade West US LLC (formerly General Chemical West 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**”) and Chemtrade West US LLC signed a Corrective Action Consent Agreement (“**CACA**”) for the site in January 2016 that memorializes the remaining requirements for the site to complete RCRA corrective action in lieu of the previous RCRA permit corrective action conditions.

The electronic chemicals manufacturing process at the site was decommissioned in 2015. Decommissioning triggered implementation of a closure plan for the RCRA units contained in the RCRA permit. In November of 2016, Chemtrade submitted a Hazardous Waste Storage System Closure Certification Report that certified that Chemtrade met the DTSC requirements for demonstrating “clean closure” for its RCRA permitted units. DTSC has approved Chemtrade’s report and issued a Closure Certification. DTSC also agreed it would be unnecessary for Chemtrade to renew its RCRA permit for this site, which has subsequently expired.

With regard to Chemtrade’s site-wide remediation obligations under the CACA, Chemtrade submitted its Draft Revised Corrective Measures Report to DTSC in August of 2016 which addresses remedial options for groundwater and soils at the site. DTSC responded with additional questions and requests for additional sampling. Chemtrade has worked with DTSC to address the comments and narrow the scope of needed sampling. Chemtrade conducted additional sampling in 2018 and submitted a Final Corrective Measures Report and response to agency comments to the DTSC for approval in December 2018. In February of 2019, DTSC reviewed the Final Corrective Measures Report and found that all comments had been satisfactorily addressed, and the agency approved the Final Corrective Measures Study Report. Chemtrade will submit a design document for soil remediation, and the results of several other ongoing limited purpose investigations. In response to the DTSC’s request, a Corrective Measures Pre-Design Investigation Work Plan is expected to be submitted to the DTSC in the first quarter of 2019. Ultimately, the CACA provides that DTSC will issue a Statement of Basis with a final selection of the site remedies that will be implemented by Chemtrade. The site will also be required to meet the related but separate review procedure required by the California Environmental Quality Act.

(f) Berkeley Heights ISRA Remediation

The Berkeley Heights, NJ site 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 the completion by Chemtrade of its purchase of General Chemical Holding Company (“**General Chemical**”) in 2014 (the “**General Chemical Acquisition**”). 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 site 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 evaluation and, if warranted, remediation. Groundwater in the vicinity of the former settling pond has historically exceeded applicable New

Jersey groundwater standards. Chemtrade is currently evaluating available options to address the former settling pond solids which could include potential use, reuse or recycling of the solids or off-site disposal.

(g) Delaware Valley 3008(h) Order and Consent Decree

This inactive site in Claymont, DE (also known as Delaware Valley) is subject to RCRA corrective action obligations pursuant to a Unilateral Administrative Order issued in 2000 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 both parts of the site, called the North Plant and the South Plant. In 2004, as part of its restructuring in bankruptcy, GCC conveyed the North Plant to its previous owner, Honeywell (successor to Allied-Signal Inc.) and transferred its obligations to Honeywell to assess and remediate groundwater contamination at both the North Plant and the South Plant. GCC also transferred the obligation to assess all other contamination in the North Plant to Honeywell, but retained responsibility for assessing and remediating soil contamination at the South Plant. GCC (now Chemtrade) has been working with EPA to address the soil contamination at the South Plant for well over a decade.

In November 2015, Chemtrade entered into an agreement to sell the South Plant to Drawbridge Claymont, LLC (“**Drawbridge**”) in two parcels, the North Parcel and the South Parcel. After a plan of remediation was approved by the EPA, the closing of the sale of South Parcel of the South Plant to Drawbridge occurred in August 2016. On September 30, 2016, Chemtrade, Drawbridge and the EPA entered into a Consent Decree which sets out remediation obligations for the South Plant. In respect of the South Parcel, Drawbridge is primarily responsible for remediating on-site soil contamination, with the EPA agreeing to only pursue Chemtrade in the event of Drawbridge’s non-compliance. Drawbridge is progressing with implementation of its remedial measures (engineered cap permitting and construction activities) at the South Parcel. In respect of the North Parcel, Chemtrade is primarily responsible until such time as it is sold to Drawbridge, at which time it will be treated in a similar fashion to the South Parcel. The agreement of sale provides that Drawbridge has the obligation to close on the North Parcel and undertake the remediation itself. Chemtrade expects that closing on the North Parcel will be completed in the first half of 2019. For both the North and South Parcels of the South Plant, Honeywell retains responsibility for remediating groundwater.

There is a stormwater conveyance (sluiceway) which received process wastewater from historic operations at the site that discharges to the Delaware River. The historic operations were associated with chemical production by both 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. At EPA’s request, GCC and Honeywell assessed the condition of the sediments in the Delaware River along the Chemtrade and Honeywell shoreline. Results showed that sediments in certain near shore areas of the river exhibited arsenic, lead, and pesticides at levels above EPA screening values. Honeywell and Chemtrade are sharing the costs of investigating and implementing an interim measure to cap the impacted sediments in near proximity to the Chemtrade and Honeywell shorelines on an equal basis. The two companies submitted a 30% Remedial Design Document for the sediment capping remedy to EPA in August of 2016 which was approved by EPA in September of 2016 but further progress on the near shore remedy has been postponed due to EPA’s interest in assessing sediments in the River immediately upstream from the Chemtrade and Honeywell facilities. In late 2018, EPA conducted sampling of sediments adjacent to the now inactive gasoline refinery owned and operated by Sunoco and/or its affiliates but no results have been shared with Chemtrade or Honeywell to date. Upon receipt of the results and after further discussions with EPA, Chemtrade will assess whether it has any responsibility for any potential extension of the remedy to the upstream area and whether Sunoco and/or its affiliates should be responsible for some portion of the near shore and/or any extended remedy.

(h) Superfund Off-Site Liabilities

Chemtrade has been named as a Potentially Responsible Party (“**PRP**”) at several sites in the United States pursuant to the federal Comprehensive Environmental Response Compensation and Liability Act (“**CERCLA**” or “**Superfund**”) and certain state counterpart statutes addressing historic hazardous substance site, often called landfill, cleanups. At each of these sites, Chemtrade or Chemtrade’s predecessors are alleged to have sent hazardous

substances from one or more of their operations to the site along with a large number (often hundreds) of other PRPs. Under the Superfund program, PRPs are jointly and severally liable for the costs of cleanup of the site, including the costs incurred by regulatory agencies who are statutorily authorized to oversee the cleanups and to conduct the cleanups themselves if the PRPs refuse to do so. In addition, all PRPs are subject to potential contribution and cost recovery claims from other PRPs who spend more than their fair share of costs to investigate and clean up these sites. To date, Chemtrade has been considered to be a very small player at these sites and, as such, none of these sites is expected to create any material liability based on the available information. However, as historic information often is found over long periods of time it is always possible that new information could change Chemtrade's status at a given site or that new sites could be found in the future. Chemtrade will be required to spend the funds necessary to protect itself at these sites in negotiations with agencies and other PRPs and potentially defend suits or claims seeking an allocation of an unfair share of such costs.

9. Employees

As at December 31, 2018, Chemtrade employed approximately 1,525 employees. As at December 31, 2018, labour unions represented approximately 593 employees and Chemtrade was a party to 35 collective bargaining agreements with respect to those unionized employees. The expiry dates of the collective bargaining agreements range from March 2019 through December 2023. Chemtrade believes that labour relations relating to the business have been very positive, with no strikes experienced to date.

10. Credit Facilities

Chemtrade Logistics Inc. and certain other subsidiaries of the Fund entered into a secured credit agreement dated February 7, 2017 with Bank of Montreal as Administrative Agent and The Bank of Nova Scotia as Syndication Agent, and the institutions named therein as lenders providing for senior credit facilities (the "**Credit Facilities**") consisting of: (i) U.S.\$325.0 million, representing a five-year term loan credit facility, used to refinance the term facility under the previous credit facilities and (ii) a U.S.\$725.0 million revolving credit facility (with U.S.\$200.0 million optional accordion) to refinance the revolving credit facility under the previous credit facilities, to partially fund the Canexus Acquisition and to pay fees, expenses and other transaction costs associated with the Canexus Acquisition, and otherwise for general corporate purposes. Pursuant to a first amendment agreement dated September 22, 2017, the amount of the revolving credit facility was reduced from U.S.\$725.0 million to U.S.\$525.0 million and the accordion was increased from U.S.\$200.0 million to U.S.\$400.0 million. Pursuant to a second amendment agreement dated March 29, 2018, the maturity date was extended to March 10, 2023, and further extended pursuant to a third amendment agreement dated December 14, 2018, such that the maturity date is now December 14, 2023. The credit agreement and all amendments are available at www.sedar.com.

The Credit Facilities rank senior to all other indebtedness of Chemtrade (including any subordinated intercompany notes) and are subject to customary terms, conditions, covenants, events of default, and other provisions. These covenants include, among other things, restrictions on the ability of Chemtrade to make distributions. The Credit Facilities are guaranteed by the Fund and certain of its subsidiaries, which guarantees are secured by security interests in substantially all of the assets of the Fund and its subsidiaries. The Credit Facilities contain customary representations and warranties and restrictive covenants, including compliance with certain financial ratios, including a net debt to EBITDA ratio and an interest coverage ratio (both as set out in the Credit Facilities), and restrictions on further borrowing, acquisitions and dispositions, restrictions on granting liens and other customary restrictions.

Borrowings under the Credit Facilities may be made in Canadian or U.S. dollars, by way of Canadian dollar prime rate, U.S. dollar base rate, U.S. dollar prime rate, U.S. dollar London Interbank Offered Rate or bankers' acceptance advances, plus, in each case, an applicable margin. The interest rate applicable to each type of advance will vary depending on the Fund's ratio of net senior debt to EBITDA (as defined in the Credit Facilities).

In June 2018, the outstanding balance of a loan, in the original principal amount of \$27.4 million, secured on the Fort McMurray, AB facility assets was repaid. These assets now form part of the security pledged in favour of the lenders to the Credit Facilities.

IV. RECENT DEVELOPMENTS

1. Redemption of Chemtrade Electrochem's 7.875% Senior Unsecured Notes due 2023

On June 25, 2018, Chemtrade Electrochem completed the redemption of all of its outstanding 7.875% Senior Unsecured Notes due 2023. The notes were redeemed for a redemption price per \$1,000 principal amount of notes of \$1,100.09, being the Make-Whole Price (as defined in the indenture governing the notes), plus accrued and unpaid interest to but excluding the redemption date of \$20.92808.

2. Payment Guarantee of Chemtrade Electrochem's Convertible Unsecured Debentures

On June 25, 2018, the Fund provided a payment guarantee of all of Chemtrade Electrochem's issued and outstanding 6.00% convertible unsecured subordinated series V debentures due December 31, 2020 and 6.50% convertible unsecured subordinated series VI debentures due December 31, 2021. The payment guarantee is an unsecured obligation of the Fund and ranks *pari passu* with all of the Fund's other unsecured obligations. This enabled Chemtrade Electrochem to rely on available exemptions under applicable securities laws to satisfy its audited annual and interim financial statement and management's discussion and analysis reporting obligations using the disclosure of the Fund as parent credit supporter.

3. Redemption of Chemtrade Electrochem's 6.00% Convertible Unsecured Subordinated Series V Debentures

On January 3, 2019, Chemtrade Electrochem completed the redemption of all of Chemtrade Electrochem's outstanding 6.00% Convertible Unsecured Subordinated Series V Debentures. The debentures were redeemed at par, plus accrued and unpaid interest to but excluding the redemption date, of \$0.49315 per \$1,000 principal amount of debentures. The Fund used its credit facilities to fund the redemption.

4. Settlement of Main Class Action Lawsuit

On November 1, 2018, Chemtrade announced that it has settled the main class action civil lawsuit related to alleged anti-competitive conduct of General Chemical entities acquired by Chemtrade in 2014. The settlement consists of a payment of US\$51 million plus assignment of the proceeds, net of defence costs, of the outcome of Chemtrade's dispute with the vendor of General Chemical. There are several ongoing lawsuits, for which further detail may be found in the LEGAL PROCEEDINGS AND REGULATORY ACTIONS – Legal Proceedings – *Anti-Trust Class Action Lawsuits and Related Proceedings* (XII.1.(a)) section.

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 12, 2016 in order to further align the Declaration of Trust with evolving governance best practices.

Unitholders have substantially all of the material protections, rights and remedies a shareholder would have under the *Canada Business Corporations Act*. 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 Mark Davis, Lucio Di Clemente, David Gee, Susan McArthur, Katherine Rethy 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. The Trustees, in directing the Fund (and in conjunction with the Chemtrade directors), explicitly assume overall stewardship responsibility, including:

- (a) participation in strategic planning through an annual review of strategic and financial plans developed and proposed by the Fund and the Chemtrade senior management;
- (b) consideration of the principal risks of the Fund and the Chemtrade's business during the annual strategic and financial plan review, and in conjunction with quarterly operational reports from senior management;
- (c) review and oversight of the Fund and Chemtrade's commitment to the Responsible Care ethic;
- (d) attraction, development and retention of senior management, including mentoring and monitoring performance of current management, and ensuring that an orderly plan for succession is in place;
- (e) approval and review as appropriate of the Fund's investor relations and disclosure policies; and
- (f) through the Fund's Audit Committee, assessment of the integrity of internal controls and relevant management information systems.

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 all amounts which are received by the Fund including, without limitations, interest, dividends, proceeds from the disposition of securities, returns of capital and repayments of indebtedness 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. Oppression Remedy

The Declaration of Trust grants the Unitholders or other specified eligible complainants the ability to apply to a court to seek an order that (a) any act or omission of the Fund or Chemtrade effects a result; (b) the business or affairs of the Fund or Chemtrade are or have been carried on or conducted in a manner; or (c) the powers of the Trustees are or have been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any Unitholder, securityholder, creditor, Trustee or officer.

These provisions of the Declaration of Trust provide that a court may make any order it thinks fit including, without limitation, an order: (a) restraining the conduct complained of; (b) appointing a receiver or receiver-manager; (c) regulating the Fund’s affairs or those of Chemtrade by amending the Declaration of Trust or the constating documents of any Chemtrade entity; (d) directing an issue or exchange of securities; (e) replacing the Trustees or the directors of any Chemtrade entity or appointing additional ones; (f) directing the Fund or any other person to purchase securities of a Unitholder; (g) varying or setting aside a transaction or contract to which the Fund or any Chemtrade entity is a party and compensating any party thereto; (h) requiring the production of financial information from the Fund or any Chemtrade entity; and (i) winding-up the Fund or liquidating or dissolving any Chemtrade entity, among other orders.

9. Dissent and Appraisal Rights

The Declaration of Trust grants Unitholders dissent and appraisal rights in connection with certain fundamental transactions, including:

- a sale or disposition of the securities of Chemtrade held by the Fund, or a sale, lease or disposition of all or substantially all of the assets of the Fund or Chemtrade, taken as a whole, that requires approval of more than two-thirds of Unitholders pursuant to the Declaration of Trust;
- the carrying out of certain going-private transactions involving the Fund, that result in the interest of a holder of participating securities being terminated without his, her or its consent and without the substitution of an interest of equivalent value; or
- if the Fund resolves to amend the Declaration of Trust to: (a) add, change or remove any provision restricting or constraining the issue, transfer or ownership of Units; (b) add, change or remove any restriction on the business the Fund may carry on; (c) add, change or remove the rights, privileges, restrictions or conditions attached to Units; (d) increase the rights or privileges of any class of Units having rights or privileges equal or superior to the class held by the dissenting Unitholder; (e) create a new class of Units equal to or superior to the Units of the class held by the dissenting Unitholder; (f) make any class of Units with inferior rights or privileges superior to that class held by the dissenting Unitholder; or (g) effect an exchange or create a right of exchange in all or part of a class of Units into the class held by the dissenting Unitholder.

A Unitholder who complies with the procedures set out in the Declaration of Trust will be entitled, at the time the approved action from which the Unitholder dissents becomes effective, to receive fair value of the Units held by such dissenting Unitholder, determined as of the close of business on the day prior to the date of the adopting resolution. To avail itself of this provision, a dissenting Unitholder must send the Fund, at or prior to any meeting of Unitholders at which the relevant resolution is to be voted on, a written objection to the resolution.

The Fund is also required to send to each dissenting Unitholder who has complied with the required provisions a written offer of an amount considered by the Trustees to be the fair value, accompanied by a statement showing how fair value was determined. Within ten days after such offer is accepted, the Fund shall pay to the dissenting Unitholder the required payment. The offer made by the Fund will lapse if the Fund does not receive an acceptance within thirty days of it being made.

The Declaration of Trust provides for the ability to apply to a court if the Fund fails to make an offer or an offer is not accepted by a dissenting Unitholder, and for purposes of the court fixing the fair value of the Units of any dissenting Unitholder.

10. Derivative Action

The Declaration of Trust grants Unitholders and other specified eligible complainants the ability to apply to a court for leave to bring an action in the name of and on behalf of: (a) the Trustees on behalf of the Fund; or (b) any Chemtrade entity, or to intervene in an action to which any such entity is a party for the purpose of prosecuting, defending or discontinuing the action on behalf of the Trustees on behalf of the Fund or Chemtrade entity, subject to the following conditions being met: (a) the Unitholder or complainant giving notice not less than 14 days before bringing the application, of its intention to apply to the court; (b) the Unitholder or complainant acting in good faith; and (c) it appearing to be in the interests of the Fund or Chemtrade, as applicable, that the action be brought, prosecuted, defended or discontinued.

In connection with such an action brought or intervened in, the court may make any order it sees fit, including, but not limited to, (a) an order authorizing the Unitholder, complainant or any other person to control the conduct of the action; (b) an order giving directions for the conduct of the action; (c) an order directing that any amount adjudged payable by a defendant in the action shall be paid, in whole or in part, directly to former and present securityholders of the Fund or Chemtrade instead of to the Fund or Chemtrade; and (d) an order requiring the Fund or Chemtrade to pay reasonable legal fees incurred by the Unitholder or complainant in connection with the action.

11. Unitholder Proposals

The Unitholders, including those who do not hold Units in their own names (“**Beneficial Unitholders**”) are given the right to submit notice to the Fund of any matter that the person proposes to raise at an annual meeting (a “**Proposal**”) and to discuss at the meeting any matter with respect to which the person would have been entitled to submit a Proposal.

Ancillary to this right permitting Unitholders and Beneficial Unitholders to make Proposals are the procedures under which the Proposal process is governed, including, among other things, the following:

- a Proposal may not include nominations for the election of Trustees (which is dealt with separately under the Advance Notice Provisions, discussed below);
- to be eligible to submit a Proposal, a person must (a) be the registered holder or beneficial owner, for at least the six-month period immediately prior to the day on which the Proposal is submitted, of at least 1% of the total number of outstanding Units on the day the Proposal is submitted, or Units whose fair market value, as determined at the close of business on the day before the Proposal is submitted, is at least \$2,000; or (b) have the support of persons who, in the aggregate (and whether or not including the person submitting the Proposal), for at least the same six-month period, have been the registered holders or beneficial owners of at least 1% of the total number of outstanding Units on the day the Proposal is submitted, or Units whose

fair market value, as determined at the close of business on the day before the Proposal is submitted, is at least \$2,000;

- a Proposal must be accompanied by certain prescribed information, including the name and address of the submitting person and such person's supporters, if applicable, the number of Units held or owned by such person or persons, and the date such Units were acquired; and
- the Fund shall set out the Proposal in its information circular delivered in connection with its annual meeting and, if requested by the submitting person, shall include a statement in support of the Proposal by such person, such statement and Proposal not to exceed 500 words exclusive of the prescribed information referred to above. Notwithstanding the foregoing, the Fund shall not be obligated to include such materials or information in its circular if: (a) the Proposal is submitted to the Fund less than 90 days before the anniversary date of the prior year's notice of meeting; (b) it clearly appears that the primary purpose of the Proposal is to enforce a personal claim or redress personal grievance or the Proposal does not relate in a significant way to the business or affairs of the Fund; (c) not more than two years prior to the receipt of the Proposal, the submitting person failed to present at a meeting of Unitholders, a Proposal that, at such person's request, was included in a circular; (d) substantially the same Proposal was submitted to Unitholders within the preceding five years and did not receive the required support (being 3% of total Units voted if the Proposal was introduced at only one annual meeting, 6% of total Units voted at the last meeting at which the matter was submitted if the Proposal was introduced at two annual meetings, and 10% of total Units voted at the last meeting at which the matter was submitted if the Proposal was introduced at three or more annual meetings); or (e) the rights conferred pursuant to these new provisions are being abused to secure publicity.

12. Advance Notice Provisions

The Declaration of Trust provides for advance notice provisions requiring a Unitholder or Beneficial Unitholder who wishes to nominate persons for election as a Trustee to provide advance notice of such nominations to the Trustees. In the case of an annual meeting, such notice must be given not less than 30 days prior to the date of the annual meeting, but in the event that the annual meeting of Unitholders is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice by the nominating Unitholder may be made not later than the close of business on the tenth day following the date of that first public announcement. In the case of a special meeting (which is not also an annual meeting) of Unitholders, not later than the close of business on the fifteenth day following the day on which the first public announcement of the date of the special meeting was made.

13. 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 (or increasing the number of votes of Unitholders required to remove a Trustee), 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 the 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.15)), the termination of the Fund, 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.18)), the dissolution of the Fund prior to the end of its term; and any other matters which expressly require the approval of the Unitholders pursuant to the Declaration of Trust or that the Trustees determine to present to the Unitholders for their approval or ratification notwithstanding that there is no express requirement for such approval or ratification under the Declaration of Trust.

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.

14. 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.

15. Amendments to the Declaration of Trust

Subject to certain exceptions (including those described below and elsewhere in the Declaration of Trust), any amendment to the Declaration of Trust which is approved by the Trustees but not approved by Unitholders must be submitted to Unitholders at the next meeting of Unitholders, and the Unitholders may confirm, reject or amend the amendment by special resolution. This does not apply to any amendment to the Declaration of Trust, the subject matter of which is contemplated by any other section of the Declaration of Trust, and which explicitly requires a different Unitholder approval level. 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.

16. 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.

17. 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.

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

The Declaration of Trust provides that the Trustees may not under any circumstances authorize, among other things:

- (a) any sale, lease or other disposition of all or substantially all of the assets of the Fund, taken as a whole, except in conjunction with an internal reorganisation or pursuant to a pledge;
- (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, other than in contemplation of a future issuance of notes; 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.

19. 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 Key Facilities

A significant amount (approximately 70%) of Chemtrade's North American sodium chlorate capacity (including the lowest cost source of production) is located at the Brandon, MB production facility. All of Chemtrade's North American chlor-alkali production is produced at its North Vancouver, BC facility. The entire sodium chlorate and chlor-alkali product produced by Chemtrade in South America is produced at two plants located at one site in Brazil. Accordingly, significant unscheduled downtime at any of these facilities could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations. Other significant facilities include the Toledo, OH and Anacortes, WA sulphuric acid facilities and the Midlothian TX facility. Unanticipated downtime can occur for a variety of reasons, including equipment breakdowns, interruptions in the supply of raw materials or energy, power failures, sabotage, natural forces (including seismic activity) or other normal hazards associated with the production of chemicals. Chemtrade cannot provide any assurances as to whether any significant interruption in the operation of any of its key production facilities would be covered by insurance or would not otherwise have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

A portion of the land on which the North Vancouver, BC facility is situated is leased from the Vancouver Fraser Port Authority (the “Port”) pursuant to a lease which terminates on June 30, 2032. The lease provides that Chemtrade will be restricted from using the leased premises for purposes of receipt, manufacture, storage and distribution of liquid chlorine after June 30, 2030. Chemtrade is currently assessing alternative options to address the liquid chlorine restriction post-June 30, 2030, but Chemtrade’s inability to implement a viable alternative solution could have a material adverse effect on Chemtrade’s business, financial condition and/or results of operations. In addition, the lease provides the Port with the right to exercise an option to purchase at the end of the term, and the Port has communicated its intention to exercise the option to purchase at that time. Chemtrade intends to enter into discussions with the Port as to alternative options which are beneficial to both parties. However, the inability of Chemtrade to come to a solution with the Port for the continued use of the North Vancouver, BC site beyond June 30, 2032 could have a material adverse effect on Chemtrade’s business, financial condition and/or results of operations.

(b) Cyclicalities of Chlor-Alkali Products

The global market for chlor-alkali products is cyclical in nature and market conditions for chlor-alkali products have fluctuated over the years. Chlor-alkali producers are particularly sensitive to general economic trends and to trends in cyclical industries such as the construction, pulp and paper and oil and gas industries, which are significant markets for chlor-alkali products. A disruption or downturn in the general economy or in any of these particular industries or additions to chlor-alkali production capacity could have a material adverse effect on Chemtrade’s business, financial condition and/or results of operations. Historically, the price at which Chemtrade’s chlor-alkali products are sold has been cyclical, depending on the price for imported caustic soda and the level of activity in the fracking industry. A downturn in chlor-alkali pricing could have a material adverse effect on Chemtrade’s business, financial condition and/or results of operations.

(c) Foreign Exchange

Chemtrade is exposed to currency risks, stemming from the fact that Chemtrade and its subsidiaries carry on business in the international marketplace. In particular, Chemtrade is exposed to increased currency risks, stemming from the fact that Chemtrade realizes a significant proportion of its revenues in U.S. dollars with a significant proportion of its costs in Canadian dollars and the majority of Chemtrade’s sales in Brazil are under a U.S. dollar based fixed margin contract. In addition, merchant market sales in Brazil may be subject to fluctuations in the Brazilian Real. There have been significant fluctuations in the exchange rates between the Brazilian Real and other currencies, including the U.S. dollar and the Canadian dollar. There is no guarantee that the exchange rate between the Brazilian Real and the other currencies, including the U.S. and Canadian dollar, will stabilize at current levels.

(d) Cost of Electricity and Salt

Electricity constitutes approximately 73% of Chemtrade’s variable production costs for sodium chlorate and approximately 49% of Chemtrade’s variable production costs for chlor-alkali products. Salt constitutes approximately 14% of Chemtrade’s variable production costs for sodium chlorate and approximately 38% of Chemtrade’s variable production costs for chlor-alkali products. Accordingly, any increase in the cost of electricity and/or salt leads to a direct increase in Chemtrade’s production costs.

Chemtrade has attempted to mitigate the effect and unpredictability of power costs by locating facilities in regions that have relatively low-cost, regulated, hydroelectric power markets. Nonetheless, Chemtrade is susceptible to changes in power prices in any of the markets in which it operates. While this risk is greater in deregulated electricity markets such as Brazil, there is always a risk of regulatory or governmental changes in currently regulated jurisdictions. The prices for electricity are generally influenced by regional or domestic factors. As a result, Chemtrade may pay higher prices for electricity than its competitors in other regions of North America or other parts of the world, which may negatively affect the competitiveness and financial performance of Chemtrade.

All of Chemtrade's salt is supplied by third parties and prices are subject to changes for a variety of reasons beyond Chemtrade's control. Management can give no assurances that Chemtrade will be able to secure adequate supplies of salt at competitive prices.

If Chemtrade is unable to obtain salt and electricity at reasonable prices and on acceptable terms, it could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(e) Price Fluctuations in Industrial Chemicals (as Products and Raw Materials)

Industrial chemicals sold by Chemtrade and those purchased by Chemtrade as raw materials are subject to market price fluctuations beyond Chemtrade's control. Market price fluctuations of these raw materials could have a material adverse effect on Chemtrade's business, financial condition and/or 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 business, financial condition and/or results of operations. Chemtrade has a number of key raw materials, including salt, electrical power and phosphorus. 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 business, financial condition and/or results of operations. Additionally, with respect to merchant sulphuric acid, although Chemtrade generally seeks to enter into contracts to share or eliminate the risk of changes in selling prices of products obtained as by-products from industrial producers, 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. Whether or not Chemtrade has entered into such contracts, market price fluctuations in any of its raw materials could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(f) Reliance on Significant Customers and 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 facility and the adjacent facility. Certain facilities that are either pipeline connected to major customers or suppliers or share services are Espirito Santo, Brazil; Lawrence, KS; Prince George, BC (sodium chlorate); Fort McMurray, AB; Richmond, CA; 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. In particular, the Espirito Santo, Brazil facility, which sells most of its sodium chlorate and almost all of its caustic soda production to the neighbouring Suzano pulp mill, was provided notice by the former owner, Fibria Celulose S.A., that it does not intend to renew the contract upon its expiry in December 2026, but also expressed willingness to explore alternatives that are economically beneficial to both parties.

Chemtrade has many customers, certain of whom generate a significant portion of revenue. These include Suzano, Canfor, West Fraser Mills Ltd., Georgia-Pacific LLC, Verso Corporation, WestRock Company, Marathon, KMG Electronic Chemicals, Inc., Chevron U.S.A. Inc., BP-Husky Refining LLC, Exxon Mobil Oil Corporation, Marathon and Equilon Enterprises LLC (d/b/a Shell Oil Products US). A loss of one or more of these customers could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations. 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.

The failure to obtain contract terms and conditions as favourable as the current contract terms and conditions under any customer contract or any contract for supply, purchase or shared services or facilities could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(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 pulp, paper, petroleum refineries, semi-conductor, auto lubricants and base metals. For example, the EC segment is particularly reliant on the pulp industry, on both a regional and global scale and a decline in the pulp industry will result in decreased demand for sodium chlorate and caustic soda. To the extent that any one of these industries has a significant reduction in demand or throughput this could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(h) Contract Renewal - Producers and Customers

Chemtrade enters into contracts with industrial producers 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 have a material adverse effect on Chemtrade's business, financial condition and/or results of operations. 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.

(i) 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 increased costs or requirements stemming from new governmental statutes, regulations, guidelines and policies. The operations of Chemtrade, its major producers, suppliers and customers are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials, including Chemtrade's products and raw materials. 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 or are used in human or animal foods, pharmaceuticals, nutraceuticals or vaccines. Accordingly, Chemtrade may be subject to future risks associated with product liability claims. A successful class action proceeding or series of claims against Chemtrade in respect of product liability or due to exposure from product release in excess of its insurance coverage could have a material adverse effect on Chemtrade's business, financial condition and/or 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 producers, suppliers 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, could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(j) Risks of Pending and Future Legal Proceedings 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 claims, investigations and proceedings, and the amount of any damages awarded or fines 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 would not have a material adverse effect on Chemtrade's business, financial condition, results of operations and/or reputation. 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 or to renew a permit or license could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations. In

addition, certain of the products produced by Chemtrade may cause adverse health consequences or are used in human or animal foods, pharmaceuticals, nutraceuticals or vaccines. Certain jurisdictions have imposed strict liability regimes. Accordingly, Chemtrade may be subject to future risks associated with product liability claims. A successful class action proceeding 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/or results of operations. Litigation is expensive, time consuming and may divert management's attention away from the operation of the business.

Chemtrade was a subject of an investigation by the U.S. Department of Justice, as well as a number of civil lawsuits, concerning alleged anticompetitive conduct in the water treatment chemicals industry. Chemtrade is also subject to counterclaims in two actions in which it is plaintiff, as well as a contribution claim with respect to hazardous substances in the Passaic River. See LEGAL PROCEEDINGS AND REGULATORY ACTIONS – Legal Proceedings (XII.1). The outcome of litigation can never be predicted with certainty and an adverse outcome in any of these matters could have a material adverse effect on Chemtrade's business, financial condition, results of operations and/or reputation.

(k) Transportation

Chemtrade relies heavily on rail and truck transportation to deliver its outbound finished products to customers and obtain inbound raw materials for its manufacturing facilities. Chemtrade enters contracts with its truck carriers requiring appropriate safety standards and levels of insurance. Rail carriers require Chemtrade to provide additional insurance and accept certain mandated or contractual liabilities. While Chemtrade has in place its own insurance program, which includes coverage for transportation-related matters such as accidental spills or releases during transit, there can be no assurance that such insurance will be adequate to compensate for any losses, such as catastrophic losses, incurred as a result of such incidents, spills or releases, which could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(l) 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, suppliers 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 Chemtrade's business, financial condition and/or results of operations.

(m) 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.

(n) Risks Related to the Environment

(i) Environmental Risks and Related Matters

(A) Environmental Risks

(1) *Litigation risk*

The operations of Chemtrade, its major industrial producers, suppliers and customers are subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials, including its products, supplied products and raw materials. 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, license 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/or results of operations. 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 proceeding or series of claims against Chemtrade in respect of product liability or due to exposure from product release in excess of its insurance coverage could have a material adverse effect on Chemtrade's business, financial condition and/or 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 industrial producers, suppliers 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 and Safety and Sustainability – Recent Activities (Section III.7(g)), 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 could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

Chemtrade is not aware of any environmental litigation outstanding, threatened or pending against it as of the date hereof that would have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(2) *Regulatory risk*

Chemtrade is subject to numerous Environmental Requirements as described above (see "Description of the Business - Environmental, Health and Safety and Sustainability" (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 adverse effect on Chemtrade's business, financial condition and/or results of operations. As a result of the nature of Chemtrade's operations, its facilities 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/or 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, to the extent not covered by indemnity, insurance or a covenant not to sue, could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

Other than the matters described under "Description of the Business - 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 have a material adverse effect on Chemtrade's business, financial condition and/or 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 could have a material adverse impact on Chemtrade's business, financial condition and/or 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 industrial producers, 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 industrial producers, suppliers and customers are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials, including chlorine, hydrogen sulphide, liquid SO₂, hydrochloric acid, SHS powder, sodium chlorate, hydrofluoric acid, sulphuric acid, caustic soda, 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, could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

Many of Chemtrade's facilities are located in areas that are at risk of extreme weather events, including hurricanes, tornadoes, floods, extreme cold, winter storms or other severe weather conditions or seismic events. Furthermore, there is a risk that Chemtrade's customers, industrial producers and suppliers could also be impacted by extreme weather events. In particular, the Gulf Region of the southern United States is susceptible to hurricanes and other extreme weather events and several Chemtrade facilities and customers are located there. The Tulsa, OK facility is located in a tornado-prone area. The west coast of North America is susceptible to earthquakes and Chemtrade has several facilities located there, including two facilities located in California and four in British Columbia. The facilities in California conduct seismic surveys of the entire site every five years. While Chemtrade has in place insurance which includes coverage for certain extreme weather events, there can be no assurance that such insurance will be adequate to compensate for any losses incurred as a result of the occurrence of severe weather conditions or seismic events, including but not limited to the above events, which could in turn have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(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, and thereby could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(5) *Risks relating to Substitution or Change in Laws*

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 generated by their production processes, such as sulphuric acid, liquid SO₂ and sulphur, 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 could 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 elemental chlorine free ("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 may negatively impact Chemtrade's WSSC segment.

(B) Trends and Uncertainties

(1) *Increasing Costs related to Transportation*

Transportation costs have been increasing for a number of years for both rail and truck transport. In particular:

- (a) Truck Driver Shortage – across North America, a shortage of truck drivers, caused in part by changes to regulations restricting their working hours, has resulted in increased truck transportation costs.
- (b) TIH Rail Tank Car Design Changes – for a number of years, government agencies in both the U.S. and Canada with regulatory oversight have been working on changes to the design of tank cars used in the transportation of products classified as toxic inhalation hazards (“**TIH**”). An interim design solution has been in use for a number of years and in November 2018, the US regulators approved a final TIH tank car design, but the Canadian regulators have not yet approved it. Railcars which are not compliant with the interim design requirements, and which do not have normalized steel tank shells, must be replaced by July 1, 2019, and Chemtrade expects to comply without material costs. Chemtrade has several of these railcars which will be retired without penalty or impact as part of Chemtrade's fleet management plan. Railcars which are not compliant with the interim design requirements, but which do have normalized steel tank shells, have a longer time period for replacement, with the deadline being January 1, 2028.
- (c) TIH Rail Transportation Costs – in recent years, the rates charged for transporting TIH products have increased significantly. The liabilities associated with shipping TIH products are expensive to insure against for both shippers and railways. Railway companies increasingly seek to shift liability (including third party liability) for shipping TIH to shippers under both tariffs and contracts due to their ongoing liability concerns with TIH rail shipments. It is not always possible to pass these increased costs on to customers. See also “Risk Factors - Risks Related to the Business and the Industry - Transportation” in section VI.1(k) regarding risks inherent in transporting Chemtrade's products.
- (d) Railway Technological Changes - the railroads have either chosen or been required to institute certain changes in their operations which have increased their costs and they have passed these costs through to shippers such as Chemtrade. An example is found in positive train control, a system of functional technologies for monitoring and controlling train movements in an attempt to provide increased safety, which is now mandated by legislation for the majority of track in the United States used by the Class 1 railways. The railways pass on their cost to implement this technology to their shipper customers.

There has been continued and 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, financial condition and/or results of operations.

(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, 2018, the Fund has recorded a \$60.9 million provision for environmental, remedial and similar obligations. This

provision is related to environmental remediation activities at certain sites (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 business, financial condition and/or results of operations.

(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 and from former operations at its sites. There can be no assurance that such costs would not have a material adverse effect on Chemtrade’s business, financial condition and/or results of operations.

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 include employee training in emergency response capability, emergency response plans for each manufacturing facility, contracts in place for emergency response services as needed from emergency service providers 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 (e.g. 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, 2018 of \$70.7 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	2018	2017
Undiscounted abandonment costs (in thousand \$)	78,117 ⁽¹⁾	75,558 ⁽¹⁾
Discount rate	2.61%	2.70%
Inflation rate	2.03%	2.07%
Average years to reclamation	24 years	26 years

Note:

⁽¹⁾ Includes USD of \$7,326 (2017 - \$5,134) converted at 1.3637 (2017 – 1.2571)

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 adverse effect on Chemtrade's business, financial condition and/or results of operations.

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 may have a significant cash outlay that may affect its ability to satisfy its debt and other contractual obligations. 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.

ARO for the next 5 years and thereafter are set out below (in thousands of dollars):

	2019	2020	2021	2022	2023	Thereafter	Total
AROs	\$10,796	\$984	\$ 3,549	\$1,845	\$345	\$60,598	\$78,117
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, the environmental regulatory framework applicable to Chemtrade imposes significant compliance requirements, including closure of inactive ponds that received APR from the manufacturing process at certain of our sites (see “Description of the Business – Regulatory Matters” (section III.8)).

(ii) Risk Oversight And Management

(A) Environmental Policies Fundamental to Operations

As discussed above (see Description of the Business – Environmental, Health and Safety and Sustainability (section III.8)), 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 November 2017 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 (see Appendix A; also 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 next such review will take place in May 2019.

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. As an operator of chemical facilities, the gravest risks facing Chemtrade stem from its operations. The Board’s foremost method of assuring itself that these risks are appropriately managed is by ensuring the effective functioning of the management system (see “Description of Business - Environmental, Health and Safety and Sustainability - Responsible Care Committee” (section III.7(a))). This is accomplished through the Responsible Care Committee, whose sole focus is on these matters. On a quarterly basis, the Responsible Care Committee closely scrutinizes the Fund’s environmental, health, safety and security performance.

(o) 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.

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 it could have a material adverse effect on Chemtrade’s business, financial condition and/or results of operations.

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/or marketing resources than Chemtrade.

(p) Leverage Risk

Chemtrade’s degree of leverage could have adverse consequences for Chemtrade, 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 Significant Producers

Chemtrade is dependent upon certain significant industrial producers, in particular, refineries and chemical companies for spent acid, Vale and Sherritt for merchant acid, and refineries for sulphur. There can be no assurance that Chemtrade will maintain its relationship with any particular industrial producer or continue to provide services to any particular industrial producer at current levels. A loss of any significant industrial producer, or a decrease in the provision of services to any such industrial 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/or results of operations. In addition to the foregoing, certain significant events affecting the operations of Chemtrade's major industrial producers could adversely affect Chemtrade's operations, and thus could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(r) 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 could have a material adverse effect on Chemtrade's business, financial condition, results of operations and/or 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 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 business, financial condition, results of operations and/or liquidity.

(s) 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 all members of its senior management, should any of these persons be unable or unwilling to continue his/her employment with Chemtrade this could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(t) Access to Raw Materials and Logistics

An adequate supply of such raw materials at reasonable prices and on acceptable terms is critical to the success of Chemtrade. In particular, Chemtrade requires significant quantities of salt brine for its chlor-alkali and sodium chlorate production, as well as electrical power for these and other operations, and phosphorus for the production of P_2S_5 . Any disruption in the supply of any of Chemtrade's raw materials or an inability to obtain them at reasonable prices and on acceptable terms could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations. 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 Chemtrade's business, financial condition and/or results of operations.

(u) Potential Trade Restrictions

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. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to Chemtrade and to its customers or may require Chemtrade to modify its current business practices, any of which could harm its business, financial condition and results of operations.

(v) 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, with the result that it could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(w) Potential Undisclosed Liabilities Associated with Acquisitions

In connection with: (i) the businesses acquired pursuant to the IPO; (ii) the SHS operations acquired from Clariant Corporation and Clariant (Canada) Inc. in 2002; (iii) the sodium chlorate and toll processor of the crude tall oil business acquired from B.C. Chemicals Division of Canadian Forest Products Ltd. in 2003 (the "**Pulp Acquisition**"); (iv) the sulphuric acid and regen acid manufacturing and marketing business acquired from Peak Sulfur, Inc. and Peak Chemical, L.L.C. in 2005; (v) the Marsulex Acquisition; (vi) the General Chemical Acquisition; (vii) the Canexus 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 and/or results of operations.

(x) Uninsured and Underinsured Losses

The 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. The occurrence of a material loss or claim or an aggregate of losses or claims for which sufficient insurance coverage is not available, could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(y) 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 effect on the Fund and on Chemtrade's business, financial condition and/or results of operations. The Fund's maximum exposure to credit risk at any point in time is the carrying value of its receivables and derivative assets.

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

Chemtrade generates significant earnings from its facilities located in the U.S. and Brazil and also purchases raw materials and buys products from other countries. Sales and operations outside of North America, particularly in emerging markets, are subject to various risks including currency exchange rate fluctuations, foreign economic conditions, trade barriers, competition with domestic and international chemical producers, exchange controls, political risks and changes in laws and policies governing operations of foreign-based companies.

Chemtrade operates two plants at one facility located in Espirito Santo, Brazil and is therefore subject to the political, economic, social and geographic risks of doing business in Brazil. Such risks include, but are not limited to, high rates of inflation; changes in monetary and exchange policies; changes in interest rates; energy shortages; military repression; war; social and labour unrest; organized crime; hostage taking; terrorism; violent crime; extreme fluctuations in currency exchange rates; expropriation and nationalization; renegotiation or nullification of existing permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms. In addition, uncertainty over whether the Brazilian government will implement changes in policy or regulation may contribute to economic uncertainty in Brazil. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

Chemtrade's P₂S₅ business is dependent on receiving raw materials from Asia. Foreign operations are subject to certain risks that could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations, such as currency exchange rate fluctuations, inflation, exchange controls, variable political conditions and a long supply chain. In particular, currency exchange rate fluctuations may impact the revenues and gross profits of Chemtrade's foreign operations.

(aa) 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 with the result that it could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(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 until January 2019. Chemtrade has submitted its intent to be involved in, and substantive responses with respect to, the five-year review of the Anti-dumping Regulations and Countervailing Duties. The timing and outcome of these

proceedings will depend on a variety of factors, including whether a foreign party, government or importer submits an entry of appearance in the proceedings, as well as whether an expedited or full review is conducted. 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.

(cc) Impact of Cyber Security Risks on Operations.

As Chemtrade continues to increase its dependence on information technologies to conduct its operations, the risks associated with cyber security also increase. Chemtrade relies on management information systems and computer control systems to run its business and operate its facilities. Chemtrade relies on industry-accepted security measures and technology to securely maintain confidential and proprietary information stored on its information systems. However, these measures and technologies may not adequately prevent security breaches. Business and supply chain disruptions, plant and utility outages and information technology system and network disruptions due to cyber-attacks could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations. Compromises to Chemtrade's information and control systems could have a material adverse effect on Chemtrade's business, financial condition, results of operations and/or reputation.

(dd) Potential Replacement or Reduced Use of Chemical Products

Certain of Chemtrade's products may become obsolete or experience a decrease in demand through the introduction of competing products that are lower in cost, exhibit enhanced performance characteristics or determined by the market to be preferable for environmental or other reasons. Environmental activists and lobby groups are often opposed to the use of chlorine in industrial products. Although ECF pulp bleaching technology, which uses sodium chlorate as its primary raw material, is currently the industry preferred method of pulp bleaching, alternative processes may reduce the demand for sodium chlorate in pulp bleaching processes. 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 incrementally reduce the demand for sodium chlorate and negatively impact the sales of sodium chlorate by Chemtrade. In addition, depending on the conditions, there can be substitute products for Alum. Replacement of one or more of Chemtrade's products in significant volumes could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(ee) Dependence on Outsourcing

A portion of Chemtrade's continued operations is dependent on the continuation of industrial producers outsourcing the removal, marketing and distribution of sulphur-based by-products. If industrial producers choose to market the product directly themselves, it could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

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 could 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; however, the Fund's Declaration of Trust has been amended to provide similar rights to Unitholders as more fully described under "Structure of the Fund" (see section V). 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 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 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 earned by the Fund directly from certain Canadian subsidiaries and 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 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 the excess 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 an associated taxed as a corporation for U.S. federal income tax purposes. 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. Therefore, U.S. investors may be entitled to a reduced rate of Canadian withholding tax on distributions made by the Fund under the *Canada-United States Tax Convention* (the “**Canada-U.S. Treaty**”) provided certain requirements are satisfied.

The Fund currently intends to remain a 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.

(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, including the potential issuance by the IRS of regulations pursuant to the recently enacted H.R. 1 (formerly known as the Tax Cuts and Jobs Act (the “**U.S. Tax Act**”)), that could have retroactive effect to January 1, 2018.

As referenced in the Canadian Tax-Related Risks section, directly above, the Fund has elected to be treated as an association taxable as a corporation for U.S. federal income tax purposes.

The Fund receives interest, directly and indirectly, from U.S. sources under various notes (the “**U.S. Notes**”) issued by the Fund and 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 under certain U.S. tax principals and authorities applying to indebtedness issued between related parties. Further, final and temporary regulations issued under Section 385 of the Code (“**Section 385 Regulations**”) could potentially apply to re-characterize as equity certain related party indebtedness issued after April 4, 2016. Generally, the Section 385 Regulations: (i) establish threshold documentation requirements that must be satisfied in order for certain related party indebtedness to be treated as debt for U.S. federal income tax purposes and (ii) treat related party indebtedness as equity for U.S. federal income tax purposes in certain circumstances, including, for example, in certain circumstances in which the debtor corporation pays a distribution in excess of accumulated earnings and profits for tax years ending after April 4, 2016. If any or all of the U.S. Notes are treated for U.S. federal income tax purposes as equity rather than debt, otherwise deductible interest on the U.S. Notes may instead 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).

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 the withholding tax rate on interest 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 from withholding tax on interest 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 America 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 from withholding tax on interest 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.

There is a risk that the zero percent rate of withholding under the Canada-U.S. Treaty and Luxembourg-U.S. Treaty 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. Tax Act introduced new rules that may limit the ability of the U.S. Issuers to deduct for tax purposes all or a portion of the interest expense attributable to the U.S. Notes in addition to any interest expense attributable to loans with third parties. These new rules, referred to as the “earnings stripping” rules, will limit the annual deduction of business interest expense, including interest expense attributable to the U.S. Notes, to 30% (from 50%) of the “adjusted taxable income” of the U.S. group. In general, adjusted taxable income means taxable income excluding income not allocable to a trade or business and increased by interest, net operating loss deductions, depreciation and amortization (beginning in 2022, the calculation of adjusted taxable income will no longer include an increase in taxable income for depreciation and amortization). This 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 amount of cash available to the Fund for distribution.

Further, there is a risk that the IRS could issue regulations under the anti-hybrid transaction and anti-hybrid entity tax rules enacted by the U.S. Tax Act (“**Anti-Hybrid Rules**”) that could permanently disallow the deduction for certain interest payments on the U.S. Notes. There is a risk that any such disallowance could have retroactive effect to January 1, 2018. The IRS has recently issued proposed regulations under the Anti-Hybrid Rules which, if finalized in proposed form, would permanently disallow the deduction for certain interest payments on the U.S. Notes for tax years beginning after December 20, 2018. The Fund is currently considering potential alternatives to mitigate the adverse impact of the Anti-Hybrid Rules in the event that the IRS issues final regulations that disallow the deduction for certain interest payments on the U.S. Notes. Any permanent disallowance of 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 amount of cash available to the Fund for distribution.

The U.S. Tax Act also introduced the Base Erosion Anti-Abuse Tax (“**BEAT**”) which is essentially a new minimum tax imposed on certain large multi-national groups that pay or accrue certain deductible payments, including interest, royalties and management fees, to related non-U.S. persons. The BEAT would apply if the tax calculated under the BEAT rules for a particular tax year exceeds a corporation’s regular tax liability determined after the application of certain tax credits allowed against the regular tax. The BEAT tax rate is 5% for 2018, 10% for tax years 2019 to 2025 and 12.5% thereafter. The BEAT tax rate is applied to “modified taxable income” (i.e. taxable income after the use of net operating losses and after adding back “base erosion payments” including related party interest expense and management fees paid to related parties). The Fund will likely be subject to the BEAT in 2018 and may be subject to the BEAT in future tax years. The BEAT liability would increase cash taxes in the year imposed and could have a material adverse effect 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 VI.2(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, 2018 the Fund had 92,596,006 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, 2018, \$471.5 million principal amount of Debentures were issued and outstanding.

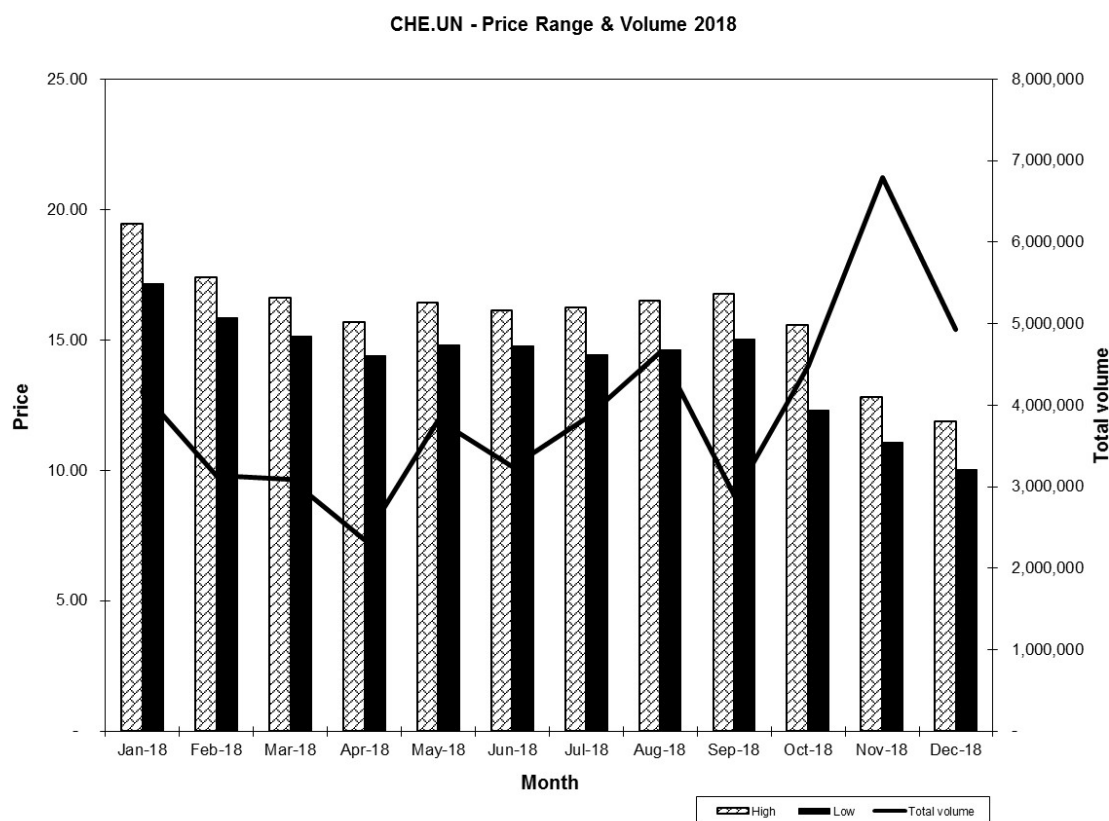
The 2014 Debentures were issued at a price of \$1,000 per 2014 Debenture, with \$110.0 million closing on June 10, 2014 and an additional \$16.5 million closing on June 16, 2014 pursuant to an over-allotment option. The 2014 Debentures mature on June 30, 2021 and accrue interest at the rate of 5.25% 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 of units for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after June 30, 2019, but 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.

The 2016 Debentures were issued at a price of \$1,000 per 2016 Debenture, with \$125.0 million closing on September 2, 2016 and an additional \$18.75 million closing on the same date with an interest rate of 5% per annum, payable semi-annually on the last day of February and August of each year commencing on February 28, 2017. The 2016 Debentures will mature on August 31, 2023. At the holder's option, the 2016 Debentures may be converted at any time prior to the earlier of the maturity date and the date of redemption specified by the fund at a price of \$24.85 per Unit. The 2016 Debentures will not be redeemable before August 31, 2019. On or after August 31, 2019 and prior to August 31, 2021, the Fund has the option to redeem all or part of the 2016 Debentures, provided that the weighted average trading price of the units for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after August 31, 2021 the 2016 Debentures may be redeemed at the option of the Fund.

The 2017 Debentures were issued at a price of \$1,000 per 2017 Debenture, with \$175.0 million closing on May 2, 2017 and an additional \$26.3 million pursuant to an over-allotment option. The 2017 Debentures mature on May 31, 2024 and accrue interest at the rate of 4.75% per annum, payable semi-annually in arrears on the last day of May and November of each year commencing on November 30, 2017. At the holder's option, the 2017 Debentures may be converted at any time prior to the earlier of the maturity date and the date of redemption specified by the Fund at a price of \$26.70 per Unit. On maturity date, the 2017 Debentures may, at the option of the Fund, be repaid in cash or Units. The 2017 Debentures will not be redeemable before May 31, 2020. On and after May 31, 2020 and prior to May 31, 2022, the Fund has the option to redeem all or part of the 2017 Debentures, provided that the weighted-average trading price of the units for 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On and after May 31, 2022 and prior to maturity date, the 2017 Debentures may be redeemed at the option of the Fund.

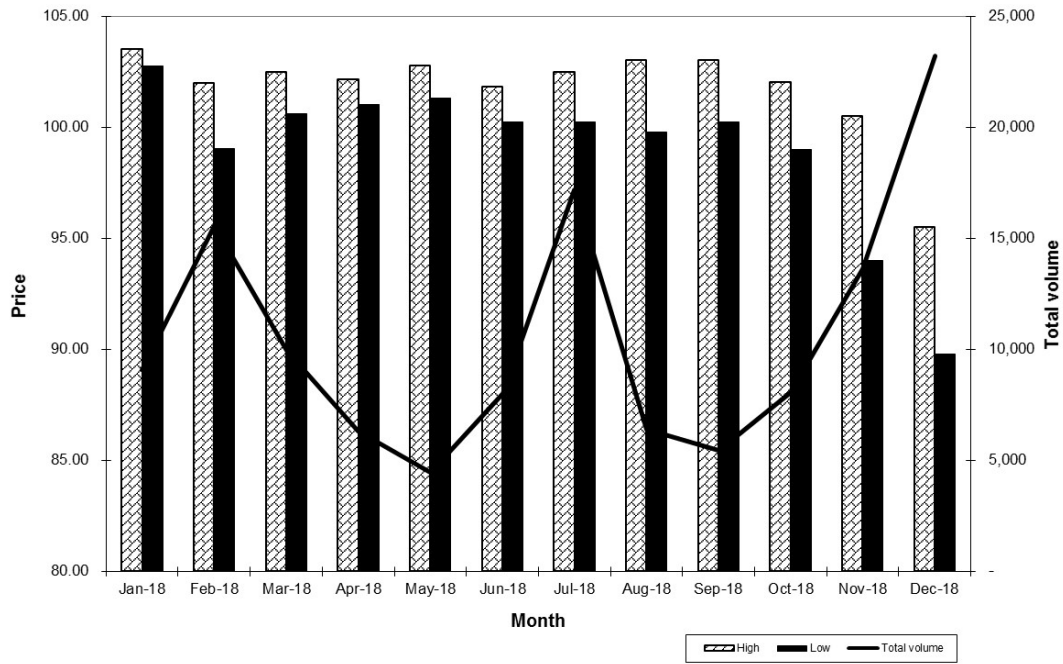
IX. MARKET FOR SECURITIES

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 the Units in 2018:

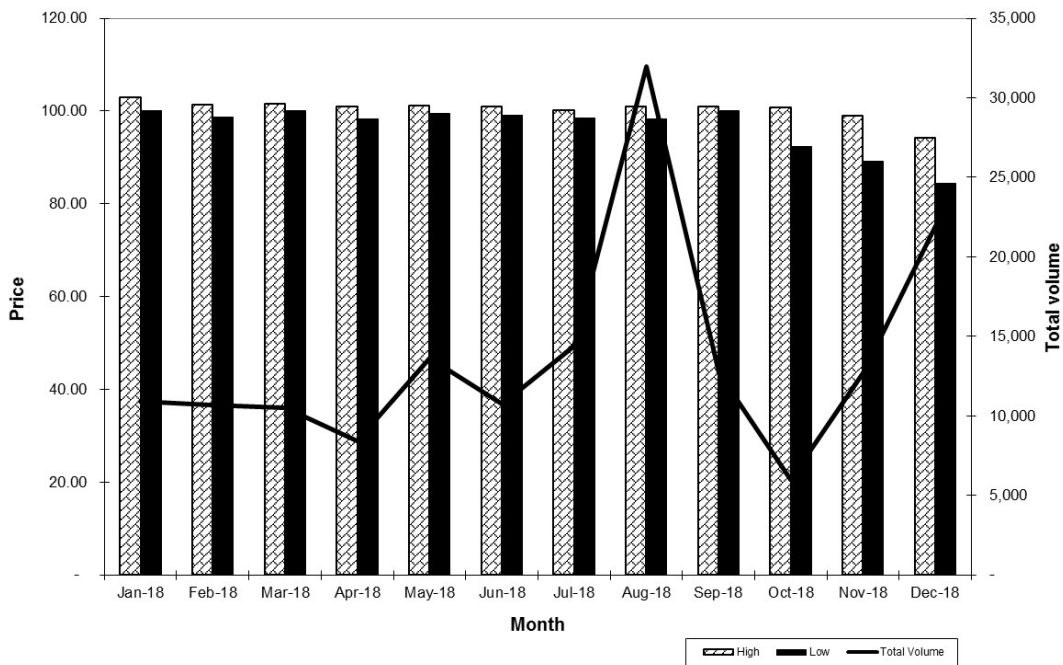


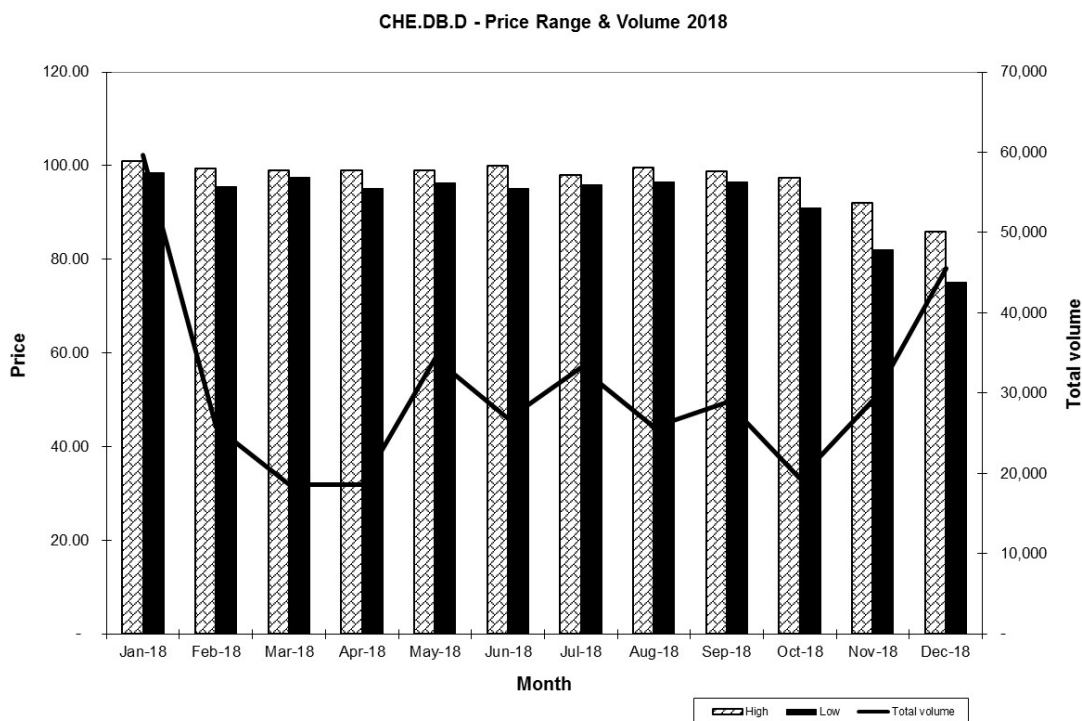
The Debentures are listed and posted for trading on the Toronto Stock Exchange, with the 2014 Debentures under the symbol “CHE.DB.B”, the 2016 Debentures under the symbol “CHE.DB.C” and the 2017 Debentures under the symbol “CHE.DB.D”. The following charts portray the monthly price range and volumes traded for the Debentures in 2018:

CHE.DB.B - Price Range & Volume 2018



CHE.DB.C - Price Range & Volume 2018





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 Declaration of Trust and to applicable laws, until such office is earlier vacated. Douglas Muzyka, one of the directors of Chemtrade Holdco US Inc., is also listed as he is invited to attend all meetings of the Board and Committees of the Fund due to his extensive experience in the chemicals industry. He has been appointed a director of the top U.S. company owing to residency restrictions relating to trustees contained in the Fund's Declaration of Trust.

<u>Name and Municipality of Residence</u>	<u>Trustee Since</u>	<u>Principal Occupation</u>
Trustees:		
Lucio Di Clemente ⁽¹⁾⁽²⁾ 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⁾ Nobel, Ontario, Canada	March 19, 2007	Corporate Director
Susan McArthur ⁽¹⁾⁽⁵⁾	August 8, 2012	Managing Partner

<u>Name and Municipality of Residence</u>	<u>Trustee Since</u>	<u>Principal Occupation</u>
Toronto, Ontario, Canada		GreenSoil Investments Inc.
Katherine Rethy ⁽¹⁾ Huntsville, Ontario, Canada	July 1, 2015	Corporate Director
Lorie Waisberg ⁽⁶⁾ Toronto, Ontario, Canada	May 17, 2001	Corporate Director
<u>Director:</u>	<u>Director Since</u>	
Douglas Muzyka Philadelphia, Pennsylvania, U.S.A.	January 1, 2018	Corporate Director

Notes:

- (1) Member of the Audit Committee, the Compensation and Corporate Governance Committee and the Responsible Care Committee.
- (2) Mr. Di Clemente was a director of Beyond the Rack Enterprises Inc. (now called 7098961 Canada Inc.) when it filed for protection under the *Companies' Creditors Arrangement Act* (Canada) on March 24, 2016.
- (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) Ms. McArthur is a director of Lunera Lighting, Inc., which is in the process of a board supervised wind down.
- (6) Member of the Compensation and Corporate Governance Committee and the Responsible Care Committee.

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. In addition, Chemtrade Holdco US Inc. has an independent director, Mr. Muzyka. The members of senior management as of March 1, 2019 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, Corporate Development and Strategy
Tab McCullough Lexington, South Carolina, USA	Group Vice-President, Manufacturing
Michael St. Pierre Mississauga, Ontario, Canada	Group Vice-President, SPPC
Dan Dietz Pittstown, New Jersey, USA	Group Vice-President, WSCC and EC
Emily Powers Mississauga, Ontario, Canada	Vice-President, Human Resources

Susan Paré Oakville, Ontario, Canada	General Counsel
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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 an executive mentor, corporate financial advisor and corporate director. 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 led the Water Treatment Chemicals business as Vice-President since April 2011 and prior to this he was Vice-President Finance from late 2009.
- (iii) Ms. Powers joined Chemtrade in June 2016 from SC Johnson Inc. While with SC Johnson Inc., Ms. Powers led the Human Resources function for SC Johnson's Canadian and Puerto Rico businesses. Prior to this, she held roles in Human Resources, Shared Services, Operations, and Business leadership in both the private and public sectors.

As at December 31, 2018, 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 453,961 Units, which is approximately 0.5% 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 currently has four members: Lucio Di Clemente (Chair), David Gee, Susan McArthur and Katherine Rethy. Douglas Muzyka and Lorie Waisberg are invited to attend all meetings of the Audit Committee. All members of the Audit Committee, as well as Messrs. Muzyka and Waisberg, 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 currently has five members: Katherine Rethy (Chair), Lucio Di Clemente, David Gee, Susan McArthur and Lorie Waisberg. Douglas Muzyka is invited to attend all meetings of the Compensation and Corporate Governance Committee. All members of the Compensation and Corporate Governance Committee and Mr. Muzyka 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. The Responsible Care Committee currently has five members: David Gee (Chair), Lucio Di Clemente, Susan McArthur, Katherine Rethy and Lorie Waisberg. Douglas Muzyka is invited to attend all meetings of the Responsible Care Committee. All members of the Responsible Care Committee and Mr. Muzyka 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 five members: Mark Davis, President and Chief Executive Officer; Rohit Bhardwaj, Vice-President, Finance; Chief Financial Officer; Tony Hupman, Director, Corporate Finance; Nick Elliott, Corporate Controller (added as of May 2018); and Susan Paré, General Counsel. 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 AIF as Appendix A.

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 Gee
Ms. Susan McArthur
Ms. Katherine Rethy

Each of the members of the Audit Committee is independent and financially literate. Messrs. Muzyka and Waisberg, who are invited to attend the Audit Committee meetings, are also independent and financially literate.

3. Relevant Education and Experience

Lucio Di Clemente (Chair): Mr. Di Clemente is a CPA, CA 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 has taught the audit committee effectiveness program offered by the Institute of Corporate Directors.

David Gee: Mr. Gee has over 30 years manufacturing experience in senior leadership roles. Most recently he was Chief Executive Officer of Marsulex until his retirement in 2005. In this role, as well as several previous positions, Mr. Gee had the Chief Financial Officer as a direct report. Mr. Gee holds an MBA degree from the University of Toronto and has served on several Boards and chaired an Audit Committee.

Susan McArthur: Ms. McArthur has over 25 years of experience in the investment banking industry, and is currently Managing Partner with GreenSoil Investments Inc., a growth equity investing firm specializing in real estate and agro food technology, as well as building innovation technology. 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 is a graduate of the ICD.D professional corporate director course.

Katherine Rethy: Ms. Rethy has over 22 years operational experience in industrial companies and was previously Senior Vice President, Global Services at Falconbridge Ltd. Prior to joining Falconbridge, she was an executive with DuPont Canada Inc. She serves as a Director of Toromont Industries Ltd. and Muskoka Airport, and is past Director of SBM Offshore NV (Netherlands), Equitable Bank, TransForce Inc. and several not-for-profit organizations, including serving as past Chair of Katimavik. She has chaired Compensation, Nomination, and Governance Committees and has served on Audit, Risk and various special Committees. She is a graduate of the ICD's professional corporate director course, has a J.D. from the University of Windsor, a B.Sc. from the University of Toronto, an M.B.A. from York University, and an M.A. from Lancaster University in the U.K.

Douglas Muzyka (Guest): Mr. Muzyka retired as Senior Vice President and Chief Science and Technology Officer of E.I. DuPont de Nemours ("DuPont"), an international manufacturer of chemical products, specialty materials, consumer and industrial products. Mr. Muzyka's previous roles at DuPont included key management roles in Canada, the U.S.A., China, Hong Kong, Mexico, as well as roles in the Nutrition and Health division and research roles. In several of these roles Mr. Muzyka had the Chief Financial Officer as a direct report. Mr. Muzyka holds bachelor's, master's and doctorate degrees in chemical engineering from the University of Western Ontario. He also serves on the board of directors of CCL Industries.

Lorie Waisberg (Guest): Mr. Waisberg practised business law with Goodmans LLP until August 2000. In his most recent corporate position, Mr. Waisberg was Executive Vice-President, Finance and Administration. Both the Chief Financial Officer and internal audit function were Mr. Waisberg's direct reports. Mr. Waisberg has served on several Boards and Audit Committees.

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 Appendix A).

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, 2018 and 2017.

	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
Fiscal 2018	\$1,129,100	\$43,000	\$723,180	Nil
Fiscal 2017	\$1,556,500	\$58,000	\$520,900	Nil

The Audit-Related Fees in both 2017 and 2018 relate to French translation of the Fund's financial statements and Management's Discussion & Analysis ("MD&A"). In 2017, they also included French translation work performed on the Fund's prospectuses, as well as Chemtrade Electrochem's financial statements, MD&A and business acquisition report. The Tax Fees relate to tax compliance services and general advisory services for the Fund, including fees for transfer pricing tax services.

6. 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 Fund and Chemtrade 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 within the three most recently completed fiscal years and since the commencement of the current 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

1. 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, other than the following:

(a) *Anti-Trust Class Action Lawsuits and Related Proceedings*

Chemtrade was a subject of an investigation by the U.S. Department of Justice concerning alleged anticompetitive conduct in the water treatment chemicals industry. The investigation commenced in 2011 prior to Chemtrade's acquisition of General Chemical. Chemtrade cooperated with the investigation and obtained 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 resulted in numerous separate civil lawsuits initiated against Chemtrade, which have been consolidated into a single multidistrict litigation proceeding in the U.S. District Court for the District of New Jersey (*In re Liquid Aluminum Sulfate Antitrust Litigation*, Case No. 16-md-02687)(transferred February 4, 2016), which includes two class action lawsuits by direct purchasers and indirect purchasers as well as several direct action cases initiated by other purchasers. No specific damage amounts were claimed. In November 2018, Chemtrade settled the main direct purchaser class action civil lawsuit. The settlement remains subject to final approval by the court and consists of a payment of US\$51 million plus assignment of the proceeds, net of defence costs, of the outcome of Chemtrade's dispute with the vendor of General Chemical (the "**DPP Settlement**"). There are also a number of individual relator lawsuits based on the same general conduct alleged in the New Jersey proceedings, which further allege violation of various false claims statutes and retaliation claims, which are in the preliminary stages. 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. The DPP Settlement was a material cost to Chemtrade and the resolution of the remaining related lawsuits and relator lawsuits, and the risk of bidding ineligibility could have a material adverse effect on Chemtrade's financial condition and/or results.

(b) *Superior Plus Corporation Reverse Termination Fee Lawsuit*

Chemtrade is currently involved in litigation to recover the \$25 million reverse termination fee from Superior Plus Corporation ("**SPC**") in respect of the terminated SPC Arrangement Agreement, pursuant to which SPC had agreed to acquire the shares of Canexus (now Chemtrade Electrochem) (*Canexus Corporation v. Superior Plus Corp.*, Court of Queens' Bench of Alberta, filed July 5, 2016). SPC has also filed a counterclaim to recover the \$25 million termination fee from Chemtrade. This lawsuit is in the discovery stage. Chemtrade intends to actively pursue its claim and vigorously defend the counterclaim. However, the outcome of litigation cannot be predicted with certainty and an adverse decision in such proceedings could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

(c) *MEG Energy Corp. Pipeline Tie-In Litigation*

Chemtrade is pursuing claims against MEG Energy Corp. ("**MEG**") (*Chemtrade Electrochem Inc. v. MEG Energy Corp.*, Court of Queen's Bench of Alberta, filed September 2, 2014) in respect of damages related to failure of MEG to allow a pipeline to be tied in to a facility formerly owned by Canexus (now Chemtrade Electrochem).

Chemtrade intends to pursue this matter for which the damages, if awarded to Chemtrade in their entirety, could be a material amount. Chemtrade is claiming a total of approximately \$440.5 million in damages, inclusive of punitive damages. However, litigation is inherently uncertain and a favourable outcome cannot be assured. MEG has filed a counterclaim for approximately \$5 million. As a result, management does not believe that an adverse outcome would have a material adverse effect on Chemtrade's financial condition.

(d) *Passaic River Litigation*

In June, 2018, Occidental Chemical Corporation ("**Occidental**") commenced a lawsuit against Chemtrade Chemicals Corporation (as an alleged successor to Essex Industrial Chemicals Inc.) and over 100 other defendants in the United States District Court for the District of New Jersey (*Occidental Chemical Corporation, Pltf. vs. 21st Century Fox America, Inc., et al., Dfts.*, New Jersey District Court – U.S. District Court – Newark Vicinage, NJ, filed July 2, 2018). Occidental alleges that the defendants are responsible for hazardous substances that were discharged into the Passaic River, and Occidental seeks to recover from the defendants costs that Occidental has incurred or will incur to address hazardous substances in the Passaic River. The total amount to be claimed against all defendants, and Chemtrade as an individual defendant, has not been identified by Occidental. The lawsuit is in its early stages and it is not possible to determine the likelihood or quantum of any adverse outcome, however an adverse outcome could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

For historical information related to this matter, see "DESCRIPTION OF THE BUSINESS – Environmental, Health and Safety and Sustainability – Recent Activities – *Passaic River Litigation*" (section III.7(g)(iii)).

2. 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 Computershare Trust Company of Canada at its office in Toronto Ontario.

XIV. MATERIAL CONTRACTS

The following are material contracts relating to Chemtrade:

1. Material Contracts Related to the Debentures

Trust Indenture dated December 20, 2002 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company.

Third Supplemental Indenture dated June 10, 2014 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company.

Fourth Supplemental Indenture dated September 2, 2016 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company

Fifth Supplemental Indenture dated May 2, 2017 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company

2. Declaration of Trust

Amended and Restated Declaration of Trust dated May 12, 2016 for Chemtrade Logistics Income Fund.

3. Credit Agreement

Credit Agreement dated as of February 7, 2017 among Chemtrade Logistics Inc. and Chemtrade Luxembourg Holding Inc., as Initial Canadian Borrowers, Chemtrade Logistics (US), Inc., Chemtrade Performance Chemicals US, LLC, Chemtrade Sulphur US Holdings LLC and Chemtrade Holdco US Inc., as Initial US Borrowers, the Institutions named therein as Lenders and The Bank of Montreal as Administrative Agent and Bank of Nova Scotia, as Syndication Agent, as amended by a first amending agreement thereto made as of September 22, 2017, a second amending agreement dated March 29, 2018, and a third amending agreement dated December 17, 2018.

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, 2019 in connection with the Fund's annual meeting of Unitholders to be held on May 9, 2019.

Additional financial information is provided in the Fund's Consolidated Financial Statements and MD&A for the period ended December 31, 2018 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, 2018. 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 AIF together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this AIF;
 - 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;
 - (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; and
 - (e) *Assessment of Auditors* – As part of its external auditor oversight responsibilities, together with management, conduct an annual assessment of the auditors and every five (5) years, a comprehensive assessment of the auditors, as recommended by the Canadian Public Accountability Board (“CPAB”).
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) Follow a policy that the Organization shall not hire partners or employees or former 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, unless a waiver is granted by the Committee after obtaining appropriate evidence that the Auditor's independence is unlikely to be compromised in the circumstances.
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) All relationships between the Auditor and the Organization (for the purposes of assessing the Auditor’s independence); and
 - (c) In accordance with the protocol established by CPAB, if CPAB has inspected the auditor’s file during the year, the auditor will provide the Committee with a copy of the significant inspection findings information as prepared by CPAB, including the audit firm response to such findings.
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.