



2019 Annual Information Form

Dated March 6, 2020

**Annual Information Form
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All amounts are stated in millions of Canadian dollars unless otherwise noted.

Information Incorporated By Reference

The audited financial statements of Richards Packaging Income Fund (the “Fund”) together with the notes to the financial statements (collectively, the “Consolidated Financial Statements”) appearing on pages 22 to 42, and Management’s Discussion and Analysis appearing on pages 5 to 17, of the Fund’s Annual Report for the year ended December 31, 2019 (the “Annual Report”) are specifically incorporated herein by reference. Any parts of the Annual Report not specifically incorporated herein by reference do not form part of this Annual Information Form. The Annual Report is filed and available on the System for Electronic Disclosure and Retrieval (SEDAR) at www.sedar.com.

Disclosures Regarding Forward-Looking Information

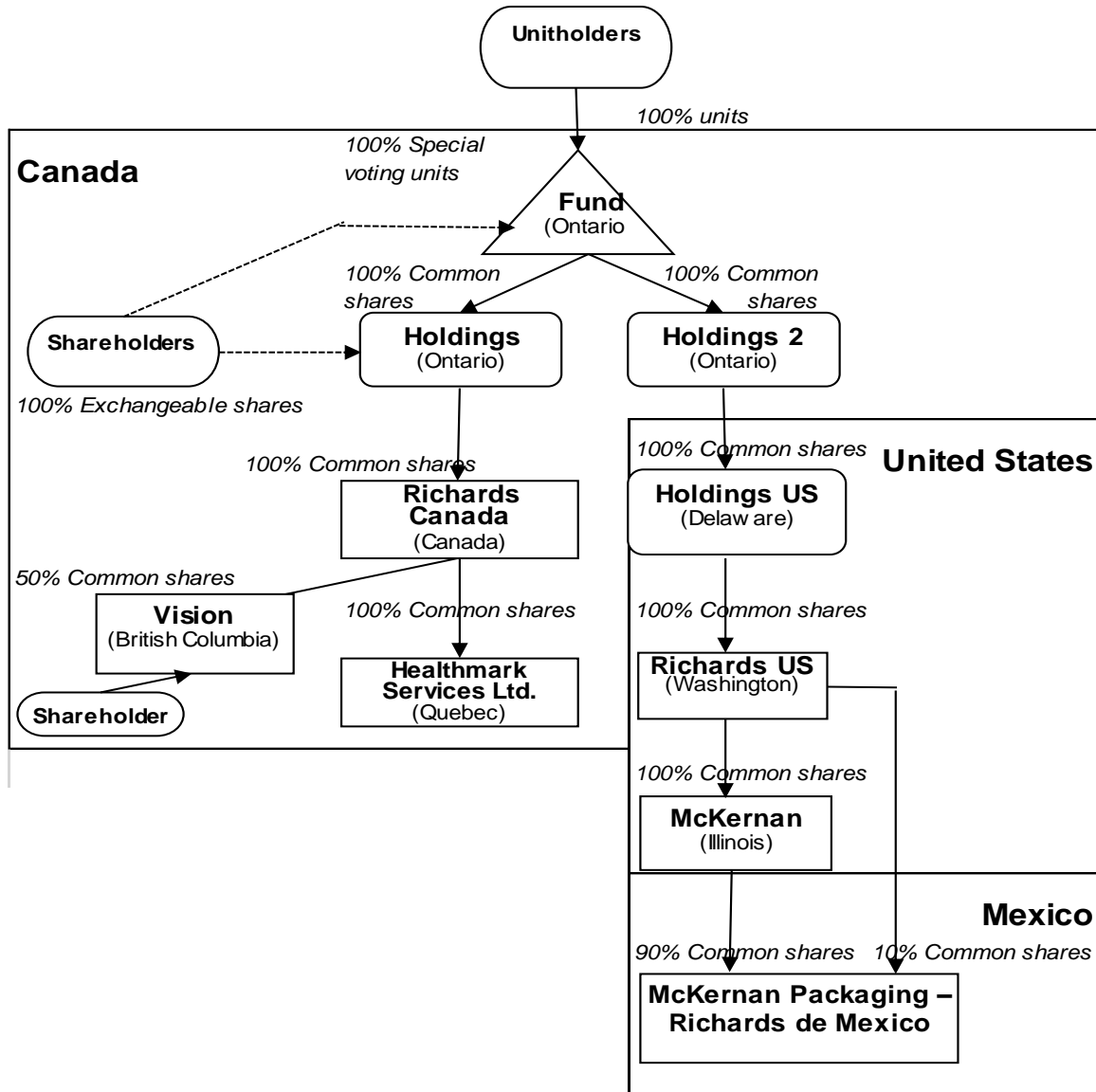
This Annual Information Form contains forward-looking information within the meaning of applicable securities laws. The forward-looking information reflects management’s current beliefs and expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Fund and Richards Packaging. We use words such as “may”, “will”, “should”, “anticipate”, “plan”, “expect”, “believe”, “predict”, “estimate” and similar terminology to identify forward-looking information. Forward-looking information included herein is in respect of, among other things, the renewal of existing credit facilities, the continuance of monthly cash distributions and the compliance with environmental, health and safety laws. Forward-looking information is based on assumptions, estimates and analysis made by us in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors we believe to be reasonable and relevant in the circumstances. Forward-looking information involves significant known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from those predicted, expressed or implied by the forward-looking information. Readers should not place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. The risks and uncertainties include, among other things, changes in customer and supplier relationships, the extent and duration of the worldwide recession and the impact on order volumes and pricing, competition in the industry, inventory obsolescence, trade risks in respect of foreign suppliers, the ability to finance additional acquisitions and to successfully integrate the acquired businesses, fluctuations in raw material prices, fluctuations in foreign exchange and interest rates, liability claims, reliance on key personnel, compliance with environmental, trade and other laws, changes to applicable tax laws, as well as other risks and uncertainties, as more fully described herein under “Risk Factors”.

While management believes that the expectations expressed and the assumptions underlying same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information, readers should carefully consider the foregoing factors and various other factors which could cause actual results or events to differ materially from those indicated in the forward-looking information.

Corporate Structure

The “Fund” refers to Richards Packaging Income Fund alone; “Richards Packaging” refers to all the investments of the Fund which carry on the packaging distribution and manufacturing business; “Holdings” refers to Richards Packaging Holdings Inc., an Ontario corporation, “Holdings 2” refers to Richards Packaging Holdings 2 Inc., an Ontario corporation, “Richards Canada” refers to Richards Packaging Inc., a Canadian corporation; “Healthmark” refers to the Healthmark Services Ltd., a Canadian corporation; “Holdings US” refers to Richards Packaging Holdings (US) Inc., a Delaware corporation, “Richards US” refers to Richards Packaging, Inc., a Washington corporation; “McKernan” refers to The E.J. McKernan Co., an Illinois corporation, “McKernan Mexico” refers to McKernan Packaging – Richards de Mexico S.A. de C.V. and “Vision” refers to Vision Plastics Inc., a British Columbia corporation.

The Fund was established to hold the securities of Holdings and Holdings 2 on behalf of the unitholders. Holdings, in turn, holds the securities of Richards Canada, including its common shares. On January 1, 2019, the Fund established Holdings 2 to hold the securities of Holdings US. Richards Canada holds the common shares of Healthmark, and 50% of the common shares of Vision. Holdings US holds all the common shares of Richards US. Richards US holds all the common shares of McKernan. The following chart sets out the principal investments and affiliates of the Fund and their jurisdictions of incorporation:



Name, Address and Jurisdiction

The Fund is an open-ended, limited purpose trust established under the laws of the Province of Ontario, Canada by a Declaration of Trust dated February 26, 2004 as amended and restated April 7, 2004 (the “Declaration of Trust”). The head and registered office of the Fund, Holdings, Holdings 2 and Richards Canada is located at 6095 Ordan Drive, Mississauga, Ontario L5T 2M7. Richards US is located at 2321 NE Argyle St. Suite D, Portland, Oregon 97211.

The Fund does not conduct an active business. The trustees of the Fund (the “Trustees”) roles are primarily to oversee share and note investments of the Fund on behalf of unitholders and to manage the affairs of the Fund. The Declaration of Trust provides that the Trustees of the Fund are restricted to:

- investing in securities, including those issued by Holdings and Holdings 2;
- temporarily hold 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 in connection with the redemption of any Units (as hereinafter defined) or other securities of the Fund, and making distributions to unitholders;
- issuing Fund units (“Units”) and other securities, including securities convertible into or exchangeable or exercisable for Units as contemplated in the Declaration of Trust;
- issuing debt securities or otherwise borrowing and pledging the assets of the Fund as security;
- guaranteeing the obligations of Holdings and Holdings 2 or any other subsidiary of the Fund, and pledging the assets of the Fund, including securities issued by Holdings and Holdings 2 or any subsidiary, as security for that guarantee, and subordinating its rights to other indebtedness;
- disposing of the assets of the Fund;
- issuing rights and Units under any unitholder rights plan adopted by the Fund;
- purchasing for cancellation securities issued by the Fund;
- satisfying the obligations, liabilities and indebtedness of the Fund; and
- undertaking all other activities or taking such actions in the ordinary course, including investing in securities, as are approved by the Trustees from time to time;

provided that the Fund will not undertake any activity, take any action, fail to 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) (the “Tax Act”).

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 February 26, 2004. 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, the unitholders may by special resolution require the Trustees to commence to wind up the affairs of the Fund.

The Declaration of Trust provides that, upon being required to commence a wind up the affairs of the Fund, the Trustees will give notice to the unitholders designating the times at which unitholders may surrender their Units for cancellation and the date at which the register of Units will be closed. After that date the Trustees will proceed to wind up the affairs of the Fund as soon as may be reasonably practicable and for that purpose will, subject to any direction to the contrary in respect of a termination authorized by a resolution of the unitholders, sell and convert into money the common shares of Holdings and Holdings 2 and all other assets comprising the Fund assets in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees will distribute the remaining part of the proceeds of the sale of all assets together with any cash forming part of the assets of the Fund among the unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of the common shares of Holdings and Holdings 2 and or other assets which comprise part of the Fund assets by the date set for termination, the Trustees may distribute the remaining common shares of Holdings and Holdings 2 or other assets *in specie* directly to the unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

General Development of the Business

The Fund was established to acquire and to hold indirectly the securities of packaging distribution businesses. On April 7, 2004, the Fund completed an initial public offering of 8.6 million Units at a price of \$10.00 per Unit to facilitate the acquisition of Richards Canada. During 2004, Richards Packaging acquired Kay Containers Ltd., Calgary Plastics Container Supply Ltd and M.A. Foss Distributors Ltd. In 2005, Richards

Packaging acquired Dispill Inc. and in 2007 Richards US acquired the E.J. McKernan Company. In 2015, Richards Canada acquired Healthmark Services Ltd.

Description of the Business

General

Over the last 100+ years, Richards Packaging has developed into a full-service packaging distributor targeting small- and medium-sized North American consumer product businesses. Richards Packaging serves a wide customer base that is comprised of over 14,300 regional food, wine and spirits, cosmetic, specialty chemical, pharmaceutical and other companies.

Each year, Richards Packaging sells more than 5,800 different types of packaging containers and related components sourced from more than 850 suppliers and its own manufacturing facilities. Richards Packaging provides its customers with a wide range of packaging solutions to help those customers differentiate their products, as well as design and development services and comprehensive logistics management. The following table sets out information regarding Richards Packaging's leased premises:

Location	Square footage	Location	Square footage
CANADA		UNITED STATES	
Richmond, British Columbia	84,000	Lasalle, Illinois	236,000
Montreal, Quebec	77,000	Santa Fe Springs, California	106,000
Mississauga, Ontario	72,000	Portland, Oregon	104,000
Winnipeg, Manitoba	45,000	Roseville, California	58,000
Calgary, Alberta	36,600	Kent, Washington	45,000
Edmonton, Alberta	18,000	Washoe, Nevada	10,000
Dartmouth, Nova Scotia	13,000	Woodland Hills, California	2,000
Granby, Quebec	5,000	<i>Plant</i>	
<i>Plants</i>		Tacoma, Washington	52,000
Toronto, Ontario	60,000	MEXICO	
Langley, British Columbia	41,000	Monterey, Mexico	9,000

For the years ended December 31, 2019 and 2018, total revenue was \$334 and \$318, respectively. Revenue increased in the year predominately due to organic growth in the United States. Richards Packaging currently serves customers from 18 locations throughout North America which are all leased.

Production and Services

Richards Packaging is one of the only North American distributors of packaging containers with dedicated in-house plastics manufacturing capability. At its three manufacturing facilities, Richards Packaging operates 39 blow moulding machines (including those operated by Vision) that allow it to manufacture a range of plastic containers using polyvinyl chloride, high density polyethylene and polyethylene terephthalate. Approximately 7% of sales are supplied by these plants. This integration facilitates better control in working with its customers to meet their unique demand requirements including the creation of moulds and the optimization of delivery times.

In addition to offering its customers a wide range of rigid packaging containers and related components, Richards Packaging offers a variety of complementary services. These services include comprehensive packaging design and development services, sourcing capabilities, and logistics management.

Richards Packaging can assist its customers with every aspect of the packaging sourcing process. The sales representatives and support staff have extensive product knowledge and experience within the rigid packaging industry. This experience and knowledge is applied to assist customers in making their purchasing decisions. In

addition, the sales representatives, in conjunction with the manufacturing personnel, have a full range of packaging design and development capabilities and expertise to offer to its customers. The packaging design and development process focuses on customer needs, such as product-packaging compatibility, dispensing requirements, ergonomics, child resistance, product promotion and brand image.

Richards Packaging assists customers with their logistics needs by maintaining an appropriate supply of inventory. Richards Packaging operates warehouse locations that are located near its customers to provide safety stocking programs and deliveries on an as-needed basis. In addition, customers can also access McKernan, a direct mail, catalogue and telemarketing packaging distributor and the largest provider of surplus packaging in the United States.

Competitive Profile

The packaging distribution industry is highly fragmented with many small family-owned distributors in North America. These distributors generally have access to some of the same supplier sources and customer accounts and offer services similar to those offered by Richards Packaging. As a result, Richards Packaging competes with approximately one hundred distributors in the rigid packaging container and related component market (excluding international products, prescription ware and proprietary-mold products). Richards Packaging generally competes with these distributors for customers on a local or regional basis, as distributors are generally capable of servicing a customer base within a radius of approximately 500 kilometers from a given branch location. Richards Packaging also competes with many small manufacturers who ship their products directly to customers. However, Richards Packaging has differentiated itself from its larger competitors by focusing on small- to medium-sized customers.

Due to the strength of Richards Packaging's relationships with the suppliers of its international products and the proprietary moulds that it uses to create its prescription ware products in these markets, Richards Packaging competes against a smaller number of distributors and manufacturers that have similar relationships or moulds.

Components

Through its extensive international supplier network, Richards Packaging is able to source a variety of packaging and related products, including plastic and glass packaging, and a variety of closures. Such diversity of products enables Richards Packaging to service virtually all of its customers' varying needs.

The principal raw materials used in Richards Packaging's manufacturing facilities are various types and grades of resin. Richards Packaging purchases the material from a variety of suppliers and is therefore not dependent on any one supplier for its raw material requirements. The price of resin fluctuates in response to changes in worldwide supply and demand. The volatility in the price of resins continues to not have a material impact on margins as a result of management's practice of immediately passing through increases and decreases to customers.

Intangible Properties – Customer Relationships and Trademarks

Richards Packaging enhances existing customer relationships by delivering value-added services and maintaining clear standards of performance throughout the organization. In addition, many of the products manufactured for Richards Packaging's customers are produced using proprietary moulds developed and owned by Richards Packaging, which limits the ability of competitors to obtain the same or similar product elsewhere with which to compete. Due to these factors, over the years, Richards Packaging has been able to develop a relationship with its customers and retain its customer base. McKernan, over the years, has also developed customer relationships by offering quality discount packaging in the marketplace.

Management believes its trademarks "Dispill" and "McKernan" are important to Richards Packaging's competitive position. "Dispill" is a registered trademark owned by Richards Packaging in Canada. McKernan is a registered trademark owned by Richards US in the United States.

Environmental, Health and Safety

Richards Packaging's operations are subject to a broad range of federal, provincial, state and local laws and regulations governing environmental and workers' health and safety matters associated with the handling, use, discharge and disposal of hazardous materials and pollutants. Richards Packaging believes that the conduct of its operations is in material compliance with current applicable environmental and workers' health and safety laws and regulations. Maintaining such compliance in the conduct of its operations has not had, and is not expected to have, a material adverse effect on Richards Packaging's financial condition or operating results.

Employees

As at December 31, 2019, Richards Packaging had approximately 518 employees, including 36 employees who were employed by Vision.

Foreign Operations

Richards Packaging currently operates in Canada, the United States and Mexico. Approximately 58 percent of sales are generated by Richards US and McKernan. Sales, margins and net earnings are sensitive to changes in the United States economy and the rate of exchange between the Canadian and U.S. dollars. Significant changes in the rate of exchange between the U.S. and Canadian dollars from one period to another can continue to affect sales and cash flow from operations. During the year ended December 31, 2019, sales increased \$8 as the Canadian dollar averaged U.S./Cdn.\$75. The U.S. dollar denominated exchangeable shares, which provided a partial hedge against foreign exchange fluctuations by offsetting U.S. dollar denominated cash flow with the U.S. dollar denominated cash flow with U.S. dollar denominated dividends, were exchanged in August 2019.

Changes to Contracts

Debt facility	Due date	Interest rate	Outstanding balance			Total facility
			2017	2018	2019	
Bank facilities						
Revolving credit	Sept. 30, 2021	see a) below	—	—	—	5.0
Term loan	Sept. 30, 2021	see b) below	33.5	27.5	15.0	15.0
Notes						
Richards Canada	April 7, 2019	see c) below	4.5	4.5	4.5	4.5
Holdings	April 7, 2019	see d) below	1.4	1.4	1.4	1.4
Holdings US	Dec. 31, 2021	see e) below	—	47.3	28.0	28.0

a) *prime plus 0.15% to 0.80%*

b) *bankers' acceptance plus 1.15% to 1.80% - effective rate of 3.2% [2018 - 3.0%, 2017 - 2.3%]*

c) *fixed rate of 6.25%*

d) *fixed rate of 6%*

e) *bankers' acceptance plus 1.15% to 1.80% - effective rate of 3.2%*

In connection with the acquisition of Healthmark, on October 1, 2015, Management drew an additional \$15 from the term credit facility and \$1.8 from the revolving credit facilities which was subsequently repaid with cash acquired. On September 30, 2018, Management renewed the term and revolving credit facilities to mature September 30, 2021. Richards Packaging's credit facilities are subject to a number of covenants and restrictions including the requirement to meet certain financial ratios, most notably the leverage ratio, set at 2.75 times. As of December 31, 2019, our leverage ratio was 0.3 times. In addition, the Fund is required to maintain a fixed charge coverage ratio of greater than 2.0 times and a minimum net worth of \$70.

One of the union contracts for Richards Packaging's manufacturing facilities expired in 2019, for which negotiations are ongoing, and another expires in 2020. The eventual renegotiations of these contracts are not expected to have a significant impact on profitability.

Reorganizations

On January 1, 2019, the Fund established Holdings 2 to hold the securities of Holdings US. Richards Canada holds the common shares of Healthmark, and 50% of the common shares of Vision. Holdings US holds all the common shares of Richards US. Richards US holds all the common shares of McKernan.

Risk Factors

I. Risks Related to the Business

Customer Relationships

The majority of Richards Packaging's customers are small- and medium-sized retailers and manufacturers of food, chemicals, wine and spirits and pharmaceutical products. In its capacity as a distributor, Richards Packaging aggregates orders of smaller customers providing it with purchasing power as it is then treated as a large account by packaging manufacturers. Richards Packaging typically does not enter into long-term price or supply contracts with customers. As a result, our most successful customers, whose sales grow rapidly year over year, may “graduate” from sourcing through distributors to sourcing directly from packaging manufacturers. Furthermore, there is a risk that Richards Packaging will not continue to receive the level of prices and order volumes from its customers in the future. A loss of many customers or a substantial decrease in order volumes from many customers, whether through plant closings, change in markets for products, switching of suppliers (including customers purchasing directly from manufacturers) or other factors, could have an adverse impact on financial performance.

Extent and Duration of a Worldwide Recession

A prolonged economic downturn could adversely affect demand for the products of our customers and in turn, reduce demand for Richards Packaging's products and services, which would adversely affect the business, operations and financial condition of the Fund.

Relationships with Suppliers

Management believes that the competitive dynamics in supplier markets will continue to permit Richards Packaging to leverage its purchasing power. There is a risk that a change in such competitive dynamics could have a significant adverse impact on financial performance. Moreover, Richards Packaging does not typically enter into long-term contracts with suppliers. While Richards Packaging has maintained relationships with many of its suppliers over a long-term period, we cannot be certain of the benefits or barriers to entry which these relationships have provided, will continue to be provided in the future or that such relationships will continue. Further, Richards Packaging sources approximately 90% of its product directly from packaging manufacturers.

Financial Stability of Customers

Despite the diversity of Richards Packaging's customer base, a significant number of customers are small- to medium-sized businesses that may be or may become undercapitalized, go bankrupt or close retail outlets or factories causing Richards Packaging to lose the account. Accordingly, the loss of accounts and the credit risk in accounts receivable and future sales could have an adverse impact on Richards Packaging's financial performance.

Lack of Written Customer and Supplier Agreements

Historically, Richards Packaging has not entered into written agreements with its customers or its suppliers but has instead relied upon ongoing purchase and sale orders. As a result, customers or suppliers may, without notice or penalty, terminate their relationship with Richards Packaging at any time. In addition, even if customers or suppliers should decide to continue their relationship with Richards Packaging, there can be no guarantee that customers will purchase or suppliers will supply the same amount of product as in the past, or that purchase or supply, as the case may be, will be on similar terms. Any loss of a significant customer or a significant supplier or a loss of a number of smaller customers or smaller suppliers, or a change in the terms of the relationship with a significant customer or a significant supplier, could have a material adverse effect on Richards Packaging's business, results of operations and financial condition.

Competition

Some of our competitors have greater economic resources and are well established as suppliers to the packaging markets. Accordingly, those 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 Richards Packaging. Although Richards Packaging competes in a number of areas, including reliability, responsiveness, expertise, convenience, scope of operations and price, there can be no assurance that competition in one of these areas will not have an adverse impact on financial performance.

The large number and small size of most customers served by distributors make a portion of Richards Packaging's customer base unattractive to packaging manufacturers (which tend to have relatively small sales forces). Nonetheless, packaging manufacturers compete with distributors with regard to customers, and in particular, the risks of competition from packaging manufacturers with respect to any specific customer increase with the volume sold by distributors to such customer. If customers were to purchase directly from the packaging manufacturers, Richards Packaging's financial performance could be significantly adversely impacted.

Patent and Trademark Challenges

From time to time, Richards Packaging may be involved in litigation to defend patents and trademarks. In addition, there is no assurance that others will not independently develop substantially similar technology. As a result, there is a risk that an unfavorable outcome from the litigation or from the development of a similar product could have a significant adverse impact on financial performance.

Inventory Obsolescence

Richards Packaging does not have return policies with its suppliers and as such can experience a risk of obsolescence in its inventory. Accordingly, there is a potential risk that inventory may become obsolete prior to Richards Packaging being able to sell such supplies to its customers. Richards Packaging carefully manages its inventory of supplies so as to minimize any chance of obsolescence; however, to the extent that obsolescence occurs and Richards Packaging is unable to return obsolete supplies to the manufacturers of such supplies, this may have an adverse effect on Richards Packaging's business, financial condition, liquidity and results of operations.

Trade Risks

A significant portion of Richards Packaging glass products are manufactured in Asia and, in particular, China and Taiwan. Trade with foreign countries may be subject to risk factors such as impacts from pandemics such as the coronavirus, changes in China tariff rates, regulatory factors, the economic stability of the foreign country and the structure of its government, labour factors and supply factors.

Raw Material Price Volatility

Various raw materials are used in the products distributed by or manufactured by Richards Packaging, and such raw materials may be subject to economic or seasonal cyclicity and wide price variation. In particular, the primary raw materials used in plastic packaging products and closures are various types and grades of resins. These resins, which are manufactured from petrochemicals, are sourced and traded throughout the world and are subject to extensive pricing volatility. Consistent with past and current practices within the industry, Richards Packaging manages its exposure to raw material price volatility by passing through to customers, most, if not all, of the price volatility. While the exposure to such pricing is lessened by Richards Packaging's role as a distributor, there can be no assurance that the industry dynamics will continue to allow passing through raw material price increases to customers.

Reliance on Key Personnel

Richards Packaging's operations are dependent on the abilities, experience and efforts of its senior management and key sales and support personnel. While Richards Packaging has entered into employment agreements and/or confidentiality and non-compete agreements with some of its key employees, should any of its key employees be unable or unwilling to continue his or her employment, financial performance could be significantly adversely impacted. The loss of a key salesperson to a competitor may result in the loss of that salesperson's customers.

Exchange Rate Fluctuations

A substantial portion of Richards Packaging's revenues and expenses, principally related to its U.S. operations, are denominated in U.S. dollars. However, the Fund's distributions to unitholders are denominated in Canadian dollars. As a result, Richards Packaging is exposed to currency exchange rate risk. For the purposes of financial reporting by the Fund, any change in the value of the Canadian dollar against the U.S. dollar during a given financial reporting period results in a foreign exchange loss or gain on the translation of any U.S. cash and cash equivalents. Consequently, the Fund's reported earnings could fluctuate materially as a result of foreign exchange translation losses or gains under Canadian generally accepted accounting principles. There can be no assurance that changes in the currency exchange rate will not have a material adverse effect on the Fund or on its ability to maintain a consistent level of distributions in Canadian dollars.

Interest Rates

Richards Packaging's credit facility is subject to floating interest rates and, therefore, is subject to fluctuations in interest rates. As the business grows, this exposure is expected to increase. Interest rate fluctuations are beyond Richards Packaging's control and there can be no assurance that interest rate fluctuations will not have a significant adverse effect on financial performance.

Risks of Acquisitions and the Failure to Integrate Acquired Businesses

The business strategy contemplates acquisitions of other distributors of packaging that are economically and strategically justified. However, there can be no assurance that management will be able to identify attractive acquisition candidates in the future, or that they will succeed in: (1) acquiring additional target companies at attractive prices; (2) financing such acquisitions; or (3) effectively managing the integration of acquired businesses, including the leveraging of corporate overhead and the introduction of Richards Packaging's business model. If the expected synergies from those transactions do not materialize or management fails to successfully integrate any new businesses into its existing businesses, Richards Packaging's financial performance could be significantly adversely impacted.

To the extent that former owners of businesses acquired failed to comply with or otherwise violated applicable laws, Richards Packaging, as a successor owner, may be financially responsible for these violations. There may be liabilities that management failed or was unable to discover in its due diligence prior to the consummation of the acquisition. The discovery of any material liabilities could have a significant adverse effect on Richards Packaging's financial performance.

Acquisitions may also include earn outs that require estimating additional contingent consideration. Consideration due to higher actual future earnings, which would be funded by debt, have a significant effect on the final purchase price.

The Fund and/or Richards Packaging may be required to raise additional capital in the future if it decides to make additional acquisitions. The availability of future borrowings and access to capital markets for financing depends on prevailing market conditions and the acceptability of financing terms offered. There can be no assurance that future borrowings or equity financing will be available or available on acceptable terms, in an amount sufficient to fund the acquisition program.

Uninsured and Underinsured Losses

Richards Packaging maintains insurance policies with insurers in amounts and with coverages and deductibles that it believes to be reasonable and prudent. Richards Packaging maintains comprehensive property, casualty and liability insurance with coverages and amounts that it believes are sufficient to repair or replace any assets physically damaged or destroyed, resultant business interruption losses or extra expenses sustained, and to cover claims with respect to bodily injury or property damage arising out of assets or operations. However, not all risks 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.

Environment, Health and Safety Requirements and Related Considerations

Richards Packaging's operations are subject to a broad range of federal, provincial, state and local laws and regulations as well as permits and other approvals relating to the protection of the environment and workers' health and safety governing, among other things, air emissions, water discharges, non-hazardous and hazardous waste (including waste water), the storage, handling, transportation and distribution of dangerous goods and hazardous materials such as chemicals, remediation of releases and workers' health and safety in the United States and Canada (the "Environment, Health and Safety Requirements"). As a result, it may be involved from time to time in administrative and judicial proceedings and inquiries relating to Environment, Health and Safety Requirements. Future proceedings or inquiries could have a material adverse effect on Richards Packaging's financial condition and results of operations.

Changes to existing Environment, Health and Safety Requirements and to the enforcement thereof or the adoption of new Environment, Health and Safety Requirements in the future might, individually or in the aggregate, have a material adverse effect on Richards Packaging's financial condition or operating results. As well, laws may impose costs on manufacturers and importers with respect to the collection of disposed packaging materials, the costs of which could be material to Richards Packaging. In addition, the discovery of unknown environmental or workers' health and safety issues at facilities owned, operated or used by Richards Packaging, including the responsibility to remediate hazardous substances whether or not the contamination was caused by Richards Packaging, could require expenditures which might materially affect financial condition and results of operations.

Business and Operational Technology Security

With the ever-changing threat landscape and increased sophistication of techniques used by cyber criminals and state-run operatives, the likelihood of a security breach continues to be a reality for Richards Packaging and most large enterprises. The Audit Committees of our Board is responsible for the oversight of our cyber security strategies and implementation as they relate to the business systems and operational systems. This past year, Richards Packaging continued to invest in technology countermeasures and employee awareness and conducted assessments with a third-party organization to identify any weakness in our overall approach to cyber security. Employee awareness remains a pillar of our defensive strategies to ensure that employees protect themselves and Richards Packaging from cyber-attacks, phishing and on-line fraud. Despite our efforts, a significant data security breach or service disruption could interrupt our operations, harm our reputation and have an adverse effect on our business.

Operating Hazards

Revenues are dependent on the continued operation of its facilities. The operation of facilities involves some risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The operations of Richards Packaging are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials, including industrial chemicals. These hazards can cause fatal personal injury, severe damage to and destruction of property and equipment and environmental damage. There can be no assurance that as a result of past or future operations, there will not be claims of injury by employees or members of the public due to exposure, or alleged exposure, to these materials. Furthermore, Richards Packaging also has exposure to future claims with respect to workplace exposure, workers' compensation and other matters, arising from events both prior to and after the acquisition. There can be no assurance as to the actual amount of these liabilities or the timing of them. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on Richards Packaging's business, financial condition and results of operations.

Product Liability

Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of Richards Packaging's products and lawsuits and would be detrimental to our market reputation. Richards Packaging's products and the products incorporated from third parties are not error free. Undetected errors or performance problems may be discovered in the future. Richards Packaging may not be able to

successfully complete the development of planned or future products in a timely manner or to adequately address product defects, which could harm our business and prospects. In addition, product defects may expose Richards Packaging to product liability claims, for which it may not have sufficient product liability insurance. A successful suit against Richards Packaging could harm its business and financial condition.

Risk of Future Legal Proceedings

Richards Packaging is threatened from time to time with, or is named as a defendant in, various legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against Richards Packaging, or the imposition of a significant fine or penalty, as a result of a finding that Richards Packaging has failed to comply with laws or regulations could have a significant adverse impact on financial performance.

II. Risks Related to the Structure of the Fund

Dependence on Richards Packaging

The Fund is an unincorporated, open-ended limited purpose trust which will be entirely dependent on the operations and assets of Richards Packaging through direct and indirect ownership interests. Cash distributions to unitholders are not guaranteed and will be dependent on the ability of Richards Canada to pay dividends or other distributions on its common shares which in turn is dependent on the ability of Holdings US to pay the dividend obligations under the promissory note investment or other distributions on their common shares. Although the Fund intends to distribute the dividend income and other distributions received 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 Richards Packaging and amounts paid to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital, capital expenditures and compliance with restrictive covenants under the credit facility.

Income Tax Matters

Canada

There can be no assurance that Canadian federal income tax laws and Canada Revenue Agency (the “CRA”) administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the unitholders. In addition, there can be no assurance that the Units will continue to be qualified investments under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations would be materially and adversely different. There can also be no assurance that the CRA will accept other tax positions adopted by the Fund, including its determination of the amounts of federal and provincial income and capital taxes, interest expense and the utilization of loss carry forwards, which could adversely affect the amount of distributable cash.

United States

There can be no assurance that U.S. federal income tax laws and the Internal Revenue Service (the “IRS”) administrative policies respecting the U.S. tax consequences described herein will not be changed in a manner that adversely affects unitholders.

Holdings US will claim interest deductions with respect to its’ commercially reasonable intercompany financing in computing its income for U.S. federal income tax purposes. There is a risk that the IRS could successfully challenge this position and treat the intercompany financing as equity rather than debt, in which case the interest would be treated as non-deductible distributions. The Fund has received advice that interest payments on the intercompany financing should be deductible for U.S. federal income tax purposes. While there can be no assurance that the IRS will not take a contrary position, the Fund believes that Holdings US position should prevail in such circumstances. A successful challenge of this position could affect Holdings US ability to make interest and principal payments on the intercompany financing and would reduce the amount of the distributions

which Richards Packaging would otherwise receive and thereby have an adverse effect on the cash flow of the Fund.

There is a risk that the IRS may challenge the interest rate on the intercompany financing as being in excess of an arm's length rate. The Fund has received advice from an independent financial advisor that this interest rate is commercially reasonable in the circumstances. However, such advice is not binding on the IRS. If the IRS were successful in challenging the interest rate, Holdings US would not be able to fully deduct interest paid, which could increase the U.S. federal income tax liability of Holdings US.

The earnings stripping rules under the U.S. Internal Revenue Code of 1986, as amended (the "Code") section 163(j) may limit the ability of Richards US to deduct all or a portion of the interest paid on the intercompany financing. Generally, under these rules, the ability to deduct interest paid on intercompany notes will be limited to the extent that net interest expense (the interest paid by Holdings US on all debt less its interest income) exceeds 50% of its adjusted taxable income (generally, U.S. federal taxable income before net interest expense, depreciation, amortization and taxes). In addition, there can be no assurance that future changes to U.S. federal income tax provisions will not otherwise restrict or eliminate the ability of Holdings US to claim a deduction for U.S. federal income tax purposes for interest paid on the intercompany financing. An additional restriction on or elimination of deductions for interest payments could increase the U.S. federal income tax liability of Holdings US, which would reduce the amount of the distributions which Richards Canada would otherwise receive and thereby have an adverse effect on the cash flow of the Fund.

The U.S. transfer pricing rules may limit the ability of Holdings US to deduct the full amount of management fees to be paid to Richards Canada. The IRS may disallow a deduction for that portion of the management fees that exceeds an arm's length fee normally charged for such services. While there can be no assurance that the IRS will not take a contrary position, Holdings US believes its position should prevail in such circumstances. A limitation on the ability to claim deductions for the full amount of management fees paid could increase the U.S. federal income tax liability of Holdings US, which could reduce the amount of distributions which Richards Canada would otherwise receive and thereby could have an adverse effect on the cash flow of the Fund.

Leverage and Restrictive Covenants

The ability of Holdings, Holdings 2, Richards Canada and Holdings US to make distributions, pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities. The degree to which Richards Packaging is leveraged could have important consequences to the holders of the Units, including: (1) the ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (2) a significant portion of cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; (3) certain of the borrowings will be at variable rates of interest, which exposes Richards Packaging to the risk of increased interest rates; and (4) Richards Packaging may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may increase the sensitivity of distributable cash to interest rate variations.

The credit facility contains restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability to create liens or other encumbrances, to pay distributions on Units 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 financial covenants that require Richards Packaging to meet certain financial ratios. A failure to comply with these obligations could result in a default which, if not cured or waived, could result in a termination of distributions by the Fund and permit acceleration of the relevant indebtedness. If the indebtedness were to be accelerated, there can be no assurance that the assets of Richards Packaging would be sufficient to repay in full that indebtedness.

Richards Packaging may need to refinance its available credit facility or other debt and there can be no assurance that Richards Packaging will be able to do so or be able to do so on terms as favorable as those presently in place. If Richards Packaging is unable to refinance the credit facilities or other debt, or is only able to refinance

the credit facility or other debt on less favorable and/or more restrictive terms, this may have a material adverse effect on Richards Packaging'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 favorable or more restrictive than the terms of the existing credit facility or other debt, which may indirectly limit or negatively impact the ability of the Fund to pay cash distributions.

Unitholder Liability

The Declaration of Trust provides that no unitholder will be subject to any liability whatsoever to any person in connection with a holding of Units and that in the event that a court determines that a unitholder is subject to any such liabilities, the liabilities will be enforceable only against and will be satisfied only out of the unitholder's fractional interest in the Fund's assets. Further, effective December 31, 2004, the *Trust Beneficiaries Liability Act, 2004* (Ontario) was enacted to create a statutory limitation on the liability of unitholders of Ontario trusts. The legislation provides that for a trust, such as the Fund which is a reporting issuer under the Securities Act (Ontario) and which is governed by the laws of Ontario, a unitholder will not, as beneficiary, be liable for any act, default, obligation or liabilities of the trust, or any of its trustees arising after the legislation came into force. However, the legislation has not been judicially considered and it is possible that reliance on the legislation by a unitholder could be successfully challenged.

Nature of Units

Securities like 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 Richards Packaging's business and should not be viewed by investors as shares in Richards Packaging. As holders of Units, unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary assets are common shares of Holdings and Holdings 2. The price per Unit is a function of anticipated distributable cash of the Fund, which may change.

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

Restrictions on Potential Growth

The payout by Richard Packaging of substantially all 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 cash flow could limit the future growth of Richards Packaging.

Distributions and Dividends

Unitholders and holders of exchangeable shares are entitled to receive monthly distributions and dividends if and when declared by the Trustees of the Fund or the Board of Directors of Holdings, Holdings 2 and Holdings US, respectively. Distributions are declared monthly to unitholders of record on the last business day of each month and paid the 14th of the following month. Dividends paid to the exchangeable shareholders are not subordinated to distributions to unitholders and are declared on the same basis. To the extent that Holdings and/or Holdings 2 is subject to Part VI tax, the dividends paid will be reduced to fund this tax liability. Monthly distributions for the last three years are as follows:

<i>\$ thousands</i>	Distributions to Unitholders			Dividends to Exchangeable Shareholders					
	Paid by Fund			Paid by Holdings			Paid by Holdings US (\$US)		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
January	1198	1198	1014	51	51	48	37	37	31
February	1198	1198	1014	51	51	48	37	37	31
March	1198	1198	1197	51	51	52	37	37	37
April	1198	1198	1197	51	51	52	37	37	37
May	1198	1198	1197	51	51	52	37	37	37
June	1198	1198	1197	51	51	52	37	37	37
July	1198	1198	1197	51	51	52	37	37	37
August	1198	1198	1197	51	51	52	37	37	37
September	1235	1198	1198	51	51	51	-	37	37
October	1235	1198	1198	51	51	51	-	37	37
November	1235	1198	1198	51	51	51	-	37	37
December	1235	1198	1198	51	51	51	-	37	37

Monthly distributions were 9.35¢ per Unit in from January to March 2017 then increased 1.65¢ to 11¢ per Unit for April until December and remained at that level throughout 2019. The increase in the aggregate monthly distribution amounts in June 2015, March 2017, September 2017 and September 2019 resulted from the conversion of 178,000, 33,000 and 13,787 exchangeable shares of Holdings to Units and the conversion of 336,642 exchangeable shares of Holdings US.

Richards Packaging’s credit facility imposes covenants and if Richards Packaging is not in compliance with these covenants, this could result in the Fund being restricted from paying distributions to the unitholders.

Fund Policy

The Fund intends to make distributions of its available cash to unitholders to the extent possible. The amount of cash distributed monthly per Unit to the unitholders is equal to a pro rata share of all amounts received by the Fund for and in respect of the distribution period, including dividends or other distributions received by the Fund on or in respect of the common shares of Holdings and Holdings 2 and interest, less:

- administrative expenses and other obligations of the Fund, including interest expense;
- amounts which may be paid by the Fund in connection with any cash redemptions of Units; and
- any associated expenses with the issuances of Units or securities, including debt securities, of the Fund.

The Fund may make additional distributions in excess of the monthly distributions during the year, as the Trustees may determine.

Monthly distributions are to be paid to unitholders of record on the last business day of each month and will be paid within 14 days following each month end.

Any income of the Fund which is applied to any cash redemptions of Units or is otherwise unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have a net income tax liability, be distributed to unitholders in the form of additional Units. Those additional Units are expected to be issued under or pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Holdings and Holdings 2 Policies

The board of directors of Holdings and Holdings 2 have adopted a policy to distribute all of its available cash from dividends or other distributions received by Holdings and Holdings 2 and interest, subject to applicable law, by way of monthly dividends on its exchangeable shares or other distributions on its securities, after

- satisfaction of its debt service obligations, if any;
- satisfaction of its interest and other expense obligations (including Part VI tax liabilities);
- making any principal repayments in respect of any debt considered advisable by its board of directors, with the consent of the Fund and the holders of the notes by extraordinary resolution; and
- retaining such reasonable working capital as may be considered appropriate.

Description of Capital Structure

The Fund is an open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated February 26, 2004 as amended and restated April 7, 2004. Reference is 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.

Units

An unlimited number of Units may be issued under 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 to one vote for each Unit held at all meetings of unitholders. In determining the unitholders who are entitled to receive notice of and to vote or act at any meeting of unitholders, the Trustees may fix a date not more than 60 days and not less than 21 days prior to the date of the meeting as a record date. Except as set out under “Redemption Right” below, the Units have no conversion, retraction, redemption or pre-emptive rights.

Special Voting Units

The Declaration of Trust allows for the creation of special voting units (“Special Voting Units”) which enable the Fund to provide voting rights to holders of exchangeable shares of Holdings, Holdings US and, in the future, to holders of other exchangeable securities that may be issued by investments of the Fund in connection with other transactions.

An unlimited number of Special Voting Units can be created and issued pursuant to the Declaration of Trust. Holders of Special Voting Units are not entitled to any distributions of any nature whatsoever from the Fund but are entitled to such number of votes at meetings of unitholders as may be prescribed by the Trustees authorizing the issuance of any Special Voting Units. Except for the right to be counted towards a quorum, to requisition and to vote at, and receive materials for, meetings of the unitholders, the Special Voting Units shall not confer upon the holders thereof any other rights.

The Fund has issued one Special Voting Unit for each exchangeable share of Holdings that is outstanding and has issued 1,000 Special Voting Units for each exchangeable share of Holdings US outstanding. Each Special Voting Unit will be cancelled upon the exchange of an exchangeable share into a Unit.

Issuance of Units

The Declaration of Trust provides that the Units or rights to acquire Units may be issued at those times, to those persons, for that 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, unless the Trustees determine otherwise, immediately after any pro rata distribution of Units to all unitholders in satisfaction of any non-cash distribution, the number of outstanding Units may be consolidated so 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 (if any) 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.

Redemption Right

Units are redeemable at any time on demand by the unitholders. As the Units are issued in book entry form, a unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the unitholder's investment dealer who will be required to deliver the completed redemption notice form to the Fund at its head office and to CDS Clearing and Depository Services Inc. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption will be surrendered and the unitholder will be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

- 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the 10 consecutive trading day period ending on the trading day immediately prior to the date on which the Units were surrendered for redemption (the "Redemption Date"); and
- 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, "market price" will be an amount equal to the weighted average of the closing price during the applicable trading period of the Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the "market price" will be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the "market price" will be the weighted average of the following prices established for each of the 10 trading days: the average of the last bid and last asking prices of the Units for each day there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the weighted average of the highest and lowest prices of the Units for each day that there was trading if the exchange or market provides only the highest and lowest prices of Units traded on a particular day. The "closing market price" will be an amount equal to the closing price of the Units if there was a trade on that day and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; or the weighted average of the last bid and last asking prices of the Units if there was no trading on that day.

The total Redemption Price payable by the Fund in respect of all Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment no later than the last day of the month following the month in which the Units were tendered for redemption, provided that the entitlement of unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

- the total amount payable by the Fund in respect of those Units and all other Units tendered for redemption in the same calendar month will not exceed \$50,000, provided that the Trustees may, in their sole discretion, waive this limitation in respect of all Units tendered for redemption in any calendar month;
- at the time the Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or quoted on another exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and
- the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 day trading period ending on the trading day immediately prior to the Redemption Date.

If a unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then each Unit tendered for redemption will, subject to any applicable regulatory approvals, be redeemed, in part by cash (to the maximum extent permitted) and in part by way of a distribution *in specie* of a pro rata number of common shares of Holdings and Holdings 2 held by the Fund. No fractional securities or notes in principal amounts of less than \$100 will be distributed and, where the number of securities of Holdings and Holdings 2 to be received by a unitholder includes a fraction or a multiple less than \$100, that number will be rounded to the next lowest whole number or integral multiple of \$100. The Fund will be entitled to all interest paid on the notes and the distributions paid on the securities on or before the date of the distribution *in specie*. Where the Fund makes a distribution *in specie* of a pro rata number of securities of Holdings and Holdings 2 on the redemption of Units of a unitholder, the Fund currently intends to designate to that unitholder any income or capital gain realized by the Fund as a result of the distribution of those securities.

It is anticipated the redemption right described above will not be the primary mechanism to dispose of Units. Securities of Holdings and Holdings 2 which may be distributed *in specie* to unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in those securities, and they may be subject to resale restrictions under applicable securities laws. Securities so distributed may not be qualified investments under the Tax Act, depending upon the circumstances at the time.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the Units on a fully-diluted basis (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) 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.

Exercise of Certain Voting Rights Attached to Securities of Holdings, Holdings 2, Richards Canada, Holdings US and Richards US

The common shares and exchangeable shares of Holdings and Holdings 2 held or controlled from time to time by the Fund may be voted by the Trustees, provided that, if the unitholders pass a resolution appointing or removing nominees of the Fund to serve as directors of Holdings and Holdings 2, the common shares and exchangeable shares of Holdings and Holdings 2 held or controlled by the Fund will be voted to cause the election or removal of those nominees.

The Declaration of Trust provides that the Trustees of the Fund will not vote the common shares or exchangeable shares of Holdings and Holdings 2 nor permit the common shares of Richards Canada held by Holdings and common shares of Holdings US held by Holdings 2 to be voted, to authorize, among other things:

- any sale, lease or other disposition of, or any interest in, all or substantially all of the assets of Holdings, Holdings 2, Richards Canada, Holdings US or Richards US or any other direct or indirect subsidiary of the Fund except in conjunction with an internal reorganization or pledges in connection with permitted guarantees;
- any amalgamation, arrangement or other merger of Holdings, Holdings 2, Richards Canada, Holdings US or Richards US with any other entity, except in conjunction with an internal reorganization;
- the winding-up or dissolution of Holdings, Holdings 2, Richards Canada, Holdings US or Richards US prior to the end of the term of the Fund, except in conjunction with an internal reorganization, or
- any material amendment to the constating documents of Holdings, Holdings 2, Richards Canada, Holdings US or Richards US to change the authorized capital of those entities or to effect any other change in a manner which may be prejudicial to the Fund or the unitholders without the authorization of the unitholders by special resolution.

Exchange Agreements

The Fund has entered into an exchange agreement with the holders of exchangeable shares of Holdings (the “Holdings Exchange Agreement”) and with the holder of exchangeable shares of Holdings US (the “Holdings US Exchange Agreement” and collectively with the Holdings Exchange Agreement, the “Exchange Agreements”). In accordance with the Exchange Agreements which were entered into by the Fund with certain current and former officers and their respective family members, the Fund issued Special Voting Units to the holders of the exchangeable shares. The Special Voting Units carry such number of votes in the aggregate, exercisable at any meeting at which unitholders are entitled to vote, equal to the number of exchangeable shares of Holdings outstanding on the record date established for a meeting and equal to the product obtained by multiplying the number of exchangeable shares of Holdings US outstanding on the record date by 1,000. Each exchangeable share of Holdings is exchangeable into one Unit and each exchangeable share of Holdings US is exchangeable into 1,000 Units. With respect to any written consent sought from the unitholders, each vote attached to the Special Voting Units is exercisable on the same basis as set out above.

The Fund will send to the holders of the exchangeable shares of Holdings and Holdings US notice of each meeting at which the unitholders are entitled to vote, together with the related meeting materials and a statement as to the manner in which the holders of the exchangeable shares may exercise the votes attaching to the Special Voting Units, at the same time as the Fund sends such notice and materials to the unitholders.

All rights of a holder of exchangeable shares to exercise votes attached to Special Voting Units will cease upon the exchange of all such holder's exchangeable shares for Units. With the exception of administrative changes for the purpose of adding covenants for the protection of the holders of the exchangeable shares, making necessary amendments or curing ambiguities or clerical errors (in each case provided that the Trustees are of the opinion that those amendments are not prejudicial to the interests of the holders of the exchangeable shares), the Exchange Agreements may not be amended without the approval of the holders of the exchangeable shares.

The Holdings Exchange Agreement also provides that, in the event that Holdings receives a notice of retraction from, or issues a notice of redemption to, a holder of exchangeable shares and the Fund is not exercising its overriding right to purchase the exchangeable shares, the Fund will issue to Holdings one Unit for each exchangeable share and Special Voting Unit to be redeemed, subject to adjustment, and Holdings will pay for that Unit by issuing common shares and/or Holding Notes to the Fund. On March 17, 2017, 33,000 shares were converted into 33,000 Fund Units, on September 17, 2017, 13,787 shares were converted into 13,787 Fund Units and on August 15, 2019, 336,642 shares equivalent to US \$4.0 were converted into 336,642 Fund Units under the Holdings US Exchange Agreement.

In 2017, the duration of the Holdings Exchange Agreement was extended to May 31, 2020. The duration of the Holdings US Exchange Agreement expired in 2019.

Constraints

Limitation of Non-resident Ownership

At no time may non-residents of Canada be the beneficial owners of a majority of the Units. If the Trustees become aware that the beneficial owners of a majority of the Units then outstanding are, or may be, non-residents of Canada or that such a situation is imminent, the transfer agent or registrar shall make a public announcement of that fact and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration in form and content satisfactory to the Trustees that the person is not a non-resident of Canada.

If the Trustees determine that a majority of the Units are held by non-residents of Canada, the Trustees may send a notice to non-resident holders of Units requiring them to sell their Units or a portion of their Units within a specified period of not less than 60 days.

Market for Securities

The Fund's Units are listed for trading on the Toronto Stock Exchange (TSX) under the symbol "RPI.UN".

Month in 2019	\$ per Unit		Volume traded
	Low	High	
January	33.50	39.30	132,230
February	35.01	39.48	94,970
March	31.25	33.27	78,894
April	37.99	39.25	94,241
May	38.11	41.00	64,338
June	40.08	44.77	70,134
July	43.26	44.98	38,070
August	39.30	43.10	489,846
September	40.02	41.48	58,308
October	39.68	41.98	140,322
November	40.70	46.49	58,066
December	45.58	47.68	62,891

Holdings has 463,006 exchangeable shares outstanding. The exchangeable shares are not listed or traded in the marketplace. Exchangeable shares were issued to certain current and former officers of Richards Packaging or their respective family members. Shares exchanged include 46,787 by Holdings in 2017 and 336,642 by Holdings US in 2019.

Trustees, Directors and Officers

Name, Address, Occupation and Security Holdings

Description of Trustees, directors and executive officers of the Fund and Richards Packaging are shown below:

Name	Residence	Position	AC ¹	CCG ¹	Term	Occupation
<i>Trustees & Directors</i>						
Donald Wright	Ontario, Canada	Chairman Trustee and Director	√	√	April, 2004	Corporate Director
Rami Younes	Ontario, Canada	Chair, Compensation and Corporate Governance Trustee and Director	√	√	October, 2005	Corporate Director
Susan Allen	Ontario, Canada	Chair, Audit Committee Trustee and Director	√	√	February, 2017	Corporate Director
<i>Officers</i>						
Gerry Glynn	Ontario, Canada	Chief Executive Officer Trustee Director			October, 2002 April, 2004 October, 2002	Richards Packaging
David Prupas	British Columbia, Canada	Chief Operating Officer and President			April, 2004	Richards Packaging 1978
Enzio Di Gennaro	Ontario, Canada	Chief Financial Officer			May, 2005	Richards Packaging

¹ committee members - AC audit, CCG compensation and corporate governance

As of March 6, 2020, the Trustees and the directors and officers beneficially owned or controlled 2,910,205 Units or approximately 27% of the total Units issued and outstanding. In addition, certain officers owned or controlled 309,392 exchangeable shares or approximately 67% of the total exchangeable shares issued and outstanding.

All Trustees of the Fund and directors of Richards Packaging hold office until the next annual meeting of unitholders or until their successors are elected or appointed. Experience of external trustees are more fully described herein under “Audit Committee Information”.

Conflicts of Interest

To the knowledge of the Trustees, directors and officers of the Fund and Richards Packaging, no material conflicts of interest exist between Fund and its investments and any Trustee, director or officer.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, to the best of the Fund’s knowledge, no Trustee of the Fund or director or executive officer of Richards Packaging,

- (a) is, as at the date hereof or has been, within the 10 years before, a director, chief executive officer or chief financial officer of any company, that while that person was acting in that capacity,
 - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or
 - (ii) was subject to an event that resulted, after the Trustee, director or executive officer ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days;
- (b) is, as at the date hereof or has been, within the 10 years before, a director or executive officer of any company, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the Trustee, director or executive officer.

Mr. Wright has been a director of Tuscany International Drilling Inc. (“Tuscany”) since December 2008. On February 2, 2014 Tuscany announced that it and one of its subsidiaries, Tuscany International Holdings (U.S.A.) Ltd. (“Tuscany USA”) commenced proceedings under Chapter 11 of the United States Bankruptcy Code (“US Code”) in the United States Bankruptcy Court for the District of Delaware (the “Chapter 11 Proceedings”) to implement a restructuring of the Company’s debt obligations and capital structure through a plan of reorganization under the US Code (the “Plan”). Tuscany also announced that it and Tuscany USA intend to commence ancillary proceedings in the Court of Queen’s Bench of Alberta under the Companies’ Creditors Arrangement Act to seek recognition of the Chapter 11 Proceedings and certain related relief.

Mr. Wright has been a director of Jaguar Resources Inc. (“Jaguar”) since February 2013. Jaguar was subject to a cease trade order (CTO) issued by the Alberta Securities Commission on May 6, 2015 and the British Columbia Securities Commission on May 8, 2015 for failure to file its annual audited financial statements, annual management’s discussion and analysis and certification of the annual filings for the year ended December 31, 2014, pursuant to which trading in and purchasing Jaguar’s securities was prohibited. During the term of the CTO Jaguar issued securities in contravention of the CTO, namely promissory notes in the aggregate amount of approximately \$130,000 were issued by Jaguar to four sophisticated individuals familiar with Jaguar’s business in exchange for loans made by such individuals for the purposes of providing Jaguar with working capital to complete the prescribed regulatory filings and seek revocation of the CTO.

To the best of the Fund's knowledge, none of its Trustees, directors or executive officers has been subject to any penalties or sanctions imposed by a securities regulatory authority or by a court relating to securities legislation, has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Legal Proceedings

Except as hereafter described, there currently are no outstanding material legal proceedings to which the Fund or any of its investments is party or of which any of Richards Packaging's properties is the subject matter, nor is the Fund aware of any such material threatened or contemplated proceedings.

Richards Packaging is threatened from time to time with, or named as a defendant in, various legal proceedings in the ordinary course of conducting its business. No such current litigation is expected to have a material adverse effect on the financial position of Richards Packaging, except as noted above.

Interests of Management and Others in Material Transactions

As at December 31, 2019, Mr. McKernan, who is an officer of McKernan, has equity interests in three companies who are landlords under three leases relating to property in (i) LaSalle, Illinois that has a base rent of U.S.\$38,513 per month and expires in December 31, 2020, (ii) Eagle Point, Illinois that has a base rent of U.S.\$13,974 and expires in December 31, 2020 and (iii) Washoe, Nevada that has a base rent of U.S.\$12,931 per month and expires in March 31, 2022. Annually, the rents increase by 3% until the end of their term. In all of these cases, management believes that the terms of the leases are no more onerous, and the pricing is no greater, than that which would be in place under comparable commercial arrangements with third parties.

Promoter

As Richards Packaging took the initiative in organizing the business and affairs of the Fund in 2004, it was considered to be a promoter of the Fund at the time of the Offering in 2004, within the meaning of applicable securities legislation. As a result of the transaction referred to under "*General Development of the Business*", Richards Packaging was 96% owned by the Fund at that time.

Transfer Agent and Registrar

The transfer agent and registrar for the Units is AST Trust Company (Canada) at its principal office in Toronto, Ontario.

Material Contracts

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which has been entered into by the Fund, or any of its investments or their predecessors since January 1, 2002 and that are still in effect and all of which are available for review at www.sedar.com:

Declaration of Trust

On February 26, 2004, the Fund was established pursuant to a Declaration of Trust which was amended and restated on April 7, 2004.

Exchange Agreements

On April 7, 2004, the Fund entered into an exchange agreement with certain officers and their respective family members relating to the issuance of certain Special Voting Units to the holders of the exchangeable shares of Holdings.

On October 31, 2007, the Fund entered into an exchange agreement with the former owner of McKernan relating to the issuance of Special Voting Units and exchange provisions of the Holdings US exchangeable shares. In 2017, the duration of the Holdings Exchange Agreement was extended to May 31, 2020. The duration of the Holdings US Exchange Agreement expired in 2019.

Credit Facilities

Debt facility	Due date	Interest rate	Outstanding balance			Total facility
			2017	2018	2019	
Bank facilities						
Revolving credit	Sept. 30, 2021	see a) below	—	—	—	5.0
Term loan	Sept. 30, 2021	see b) below	33.5	27.5	15.0	15.0
Notes						
Richards Canada	April 7, 2019	see c) below	4.5	4.5	4.5	4.5
Holdings	April 7, 2019	see d) below	1.4	1.4	1.4	1.4
Holdings US	Dec. 31, 2021	see e) below	—	47.3	28.0	28.0

a) *prime plus 0.15% to 0.80%*

b) *bankers' acceptance plus 1.15% to 1.80% - effective rate of 3.2% [2018 - 3.0%, 2017 - 2.3%]*

c) *fixed rate of 6.25%*

d) *fixed rate of 6%*

e) *bankers' acceptance plus 1.15% to 1.80% - effective rate of 3.2%*

On September 30, 2018, Management renewed the term and revolving credit facilities to mature September 30, 2021. In 2018, \$6 was paid down and in 2019, \$12.5 was paid down on the term loan leaving a \$15 balance outstanding. As at December 31, 2019, the \$5.0 revolving credit facility was not drawn.

Richards Packaging's credit facilities are subject to a number of covenants and restrictions including the requirement to meet certain financial ratios, most notably the leverage ratio limit of 2.75 times. As of December 31, 2019, our leverage ratio was 0.3. In addition, the Fund is required to maintain a fixed charge coverage ratio of greater than 2.0 times and a minimum net worth of \$70. As collateral for the revolving, acquisition and the term loan, Richards Packaging has provided a first charge over all its assets. See also "Long Term Debt" in the Consolidated Financial Statements in the Annual Report.

Interests of Experts

The Fund's auditors are PricewaterhouseCoopers LLP who have prepared an independent auditor's report dated March 6, 2019 in respect of the Fund's consolidated financial statements as at December 31, 2019, 2018 and for the years ended December 31, 2019 and 2018. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants Ontario.

Audit Committee Information

Audit Committee Terms of Reference

The Audit Committee Terms of Reference is attached as Schedule "A" to this Annual Information Form.

Composition of the Audit Committee

Susan Allen, Donald Wright and Rami Younes are currently members of the Audit Committee. All members are independent.

Relevant Education and Experience

Each member of the Audit Committee is financially literate, in that they have the ability to read and understand financial statements. Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Terms of Reference. The education and current and past experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is summarized below:

Name	Professional designation	Experience
Susan Allen	FCPA, CPA	<i>Director on various boards. Former Partner at Pricewaterhouse Coopers</i>
Rami Younes		<i>Director on various boards. Former President of a division of CCL Industries Inc.</i>
Donald Wright		<i>Director on various boards. Former Deputy Chairman of TD Bank Financial Group and Chairman and CEO of TD Securities Inc.</i>

Pre-approval Policies and Procedures

The Fund's Audit Committee is responsible for overseeing the work of the independent auditors and considering whether the provision of services, other than audit services, is compatible with maintaining the auditors' independence. The Fund follows the practice that all non-audit services by the external auditors must be pre-approved by the Audit Committee.

External Auditor Service Fees

<i>\$ thousands</i>	2019	2018	2017	
Audit fees	320	304	288	The tax fees relate to US and Canadian tax compliance and internal restructuring fees. Other fees are for financial due diligence and accounting advisory related to OSC comment letters.
Tax fees	168	102	148	
All other fees	79	19	—	

Additional Information

Additional information relating to the Fund may be found on SEDAR at www.sedar.com or Richards Packaging's website at www.richardspackaging.com. Additional information, including Trustee's, directors' and officers' remuneration, principal holders of the Fund's securities and securities authorized for issuance under equity compensation plans is contained in the Fund's information circular for its annual meeting of unitholders to be held on May 4, 2020. Additional financial information is provided in the Fund's audited consolidated financial statements for the year ended December 31, 2019 and in Management's Discussion and Analysis contained in the 2019 Annual Report. A copy of such documents and this Annual Information Form are available on SEDAR at www.sedar.com.

Audit Committee Information-Schedule A

Audit Committee – Terms of Reference

Role of the Audit Committee

The role of the Audit Committee (the “Committee”) is to assist the Board of Trustees in its oversight of:

- 1) the integrity of the financial and related information of Richards Packaging Income Fund (the “Fund”),
- 2) the internal controls and procedures for financial reporting and
- 3) the processes for monitoring compliance with legal and regulatory requirements,

and to review the independence, qualifications and performance of the external auditor of the Fund. Management is responsible for establishing and maintaining those controls, procedures and processes and the Audit Committee is appointed by the Board of Trustees to review and monitor the controls, procedures and processes.

Duties and Responsibilities

In carrying out its role, the Audit Committee has the following duties and responsibilities:

Financial Information and Reporting

- Review all financial statements and management discussions and analysis including, interim financial statements, annual audited financial statements, financial statements for use in prospectuses or other offering documents and statements required by regulatory authorities. Particular attention should be made to:
 - compliance with applicable accounting and auditing standards
 - any significant changes in accounting principles and practices
 - presentation and impact of significant transactions
 - material judgmental areas
- Review prior to release of all public disclosure documents containing audited and unaudited financial information extracted or derived from financial statements, including any earnings press release, annual information form and the management information circular.
- Review with management, the external auditors and if necessary with legal counsel, any litigation, claim or contingency, including income tax correspondence or assessments, that could have a material effect upon the financial position or operating results, and the manner in which these matters have been disclosed in the financial statements.

Internal Controls

- Review management's programs and policies regarding the adequacy and effectiveness of internal controls over the accounting and financial reporting systems.
- Review audit letters of the external auditors or summaries of material items in the letters and management's responses thereto.

External Audit

- Review the nomination of external auditors, and recommend external auditors to be appointed and the compensation of external auditors to the Board of Trustees. In this regard, it is noted that the external auditors are accountable to the Audit Committee as representatives of the Unitholders, but are also ultimately accountable to the Board of Trustees.
- Evaluate the audit services provided by the external auditor, pre-approve all audit fees and recommend to the Board of Trustees, if necessary, the replacement of the external auditor
- Pre-approve any non-audit services to be provided to the Fund and its investments by the external auditor and the fees for those services
- Review the nature and scope of the annual audit proposed by the external auditors and management.
- Review, at least annually, the relationships between the Fund and the external auditor in order to establish the independence of the external auditor.

Risk Management

- Review the adequacy of internal controls to ensure that business and other risks of the Fund and its investments are adequately managed.

Compliance

- Review the Fund's financial reporting procedures and policies to ensure compliance with all legal and regulatory requirements and to investigate any non-adherence to those procedures and policies.
- Oversee the investigation of allegations of fraud, illegal acts and conflicts of interest.

Other

- Retain or appoint, at the Fund's expense, any expert or advisor that the Committee deems necessary to fully perform its duties.

Composition and Procedures

Size

The Audit Committee will consist of a minimum of three trustees. The members of the Committee are appointed and removed by the Board of Trustees in its discretion.

Qualification

All members of the Committee must be “unrelated Trustees” under National Instrument 52-110. All members of the Committee must be “financially literate”, i.e. have the ability to read and understand a balance sheet, an income statement and a cash flow statement. At least one member of the Committee should have “accounting or related financial expertise”, i.e. the ability to analyze and interpret a full set of financial statements, including the attached notes, in accordance with Canadian generally accepted accounting principles.

Meetings

The Committee will meet at least four times a year. The Committee will hold a portion of each meeting without the presence of management.

Review of Financial Statements

The Committee will review the Fund’s annual audited and interim financial statements with the CEO and CFO.

Review of CEO and CFO Certification Process

In connection with the review of the annual audited financial statements and interim financial statements, the Committee will also review the process for the CEO and CFO certifications with respect to financial statements and the Fund’s disclosure and internal controls, including any material deficiencies or changes in those controls.

Evaluation

The Committee will conduct and present to the Board of Trustees an annual evaluation of the performance of the Committee and the adequacy of these terms of reference and recommend any proposed change to the Board of Trustees.