

# CONTRANS INCOME FUND

## CONTRANS INCOME FUND NOTICE OF ANNUAL AND SPECIAL MEETING OF UNITHOLDERS

**NOTICE IS HEREBY GIVEN** that an annual and special meeting (the "Meeting") of unitholders (the "Unitholders") of Contrans Income Fund (the "Fund") will be held at The Four Seasons Hotel, Orange/Stuart Room, 21 Avenue Road, Toronto, Ontario, on Thursday April 28, 2005 at 4:30 p.m. (Toronto time), for the following purposes:

- (a) To receive and consider the audited consolidated financial statements of the Fund for the year ended December 31, 2004 and the report of the auditors thereon;
- (b) To elect trustees of the Fund (the "Trustees");
- (c) To direct and instruct the Trustees in respect of the election of trustees of Contrans Operating Trust;
- (d) To direct and instruct the Trustees in respect of the election of directors of Contrans Corp.;
- (e) To appoint auditors of the Fund and to authorize the Trustees to fix their remuneration; and
- (f) To transact such other business as may properly come before the Meeting or any adjournments thereof.

This notice is accompanied by a form of proxy, a management information circular and an annual report which includes the audited consolidated financial statements of the Fund for the year ended December 31, 2004.

The Trustees have by resolution fixed the close of business on March 24, 2005 as the record date for the determination of Unitholders entitled to receive notice of and vote at the Meeting or any adjournments thereof.

Unitholders who are unable to attend the Meeting are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation as possible may be had at the Meeting.

The Trustees have by resolution fixed the close of business on the second business day preceding the day of the Meeting (excluding Saturdays, Sundays and holidays) or any adjournments thereof as the time before which proxies to be used or acted upon at the Meeting or any adjournments thereof shall be deposited with the Fund's transfer agent.

**DATED** at Woodstock, Ontario this 24<sup>th</sup> day of March 2005.

By Order of the Board of Trustees

*"Stanley G. Dunford"*  
Trustee

## CONTRANS INCOME FUND INFORMATION CIRCULAR

### Solicitation of Proxies

This information circular is furnished in connection with the solicitation of proxies by the trustees (the "Trustees") of Contrans Income Fund (the "Fund") for use at the annual and special meeting (the "Meeting") of holders of units (the "Unitholders") of the Fund to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. References in this information circular to the Meeting include any adjournments thereof. It is expected that the solicitation will be primarily by mail, however proxies may also be solicited personally or by telephone by Trustees of the Fund or by directors, officers or regular employees of Contrans Corp. ("Contrans" or the "Company") without special compensation. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Fund.

The Trustees of the Fund have by resolution fixed the close of business on March 24, 2005 as the record date, being the date for the determination of the registered holders of securities entitled to receive notice of and vote at the Meeting. Duly completed and executed proxies must be received by the Fund's transfer agent at the address indicated on the enclosed envelope no later than 48 hours (excluding Saturdays and holidays) before the time of the Meeting or any adjournment of the Meeting.

Unless otherwise stated, the information contained in this management information circular is as of March 1, 2005 and all reference to "dollars" and "\$" are to Canadian dollars.

### Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are Trustees of the Fund. **A Unitholder desiring to appoint some other person, who need not be a Unitholder, to represent the Unitholder at the Meeting may do so by striking out the names of the persons designated therein and by inserting in the blank space provided for that purpose the name of the desired person, or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the registered office of the Fund's transfer agent indicated on the enclosed envelope not later than the close of business on the second business day preceding the day of the Meeting (excluding Saturdays, Sundays and holidays).**

A Unitholder delivering the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Unitholder giving the proxy wishes to confer a discretionary authority with respect to any item of business then the space opposite the item is to be left blank. The units represented by the proxy submitted by a Unitholder will be voted in accordance with the directions, if any, given in the proxy.

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the Unitholder or by his or her attorney authorized in writing, and deposited at the registered office of the Fund's transfer agent at any time up to and including the last business day preceding the day of the Meeting or with the Chairman of the Meeting on the day of the Meeting or in any other manner permitted by law.

### Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the units in respect of which they are appointed in accordance with the direction of the Unitholders appointing them. **In the absence of such direction, such units will be voted in favour of the election of the Trustees and Directors and the appointment of auditors referred to below and the passing of all of the resolutions described below. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the Meeting.** At the time of printing of this information circular, neither the Trustees of the Fund, nor the directors or officers of Contrans, the administrator of the Fund, know of any such amendments, variations or other matters to come before the Meeting. However, if any other matters which are not now known to the Trustees of the Fund or the directors or officers of Contrans should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

**Interest of Certain Persons or Companies in Matters to be Acted Upon**

To the knowledge of the Trustees of the Fund and the directors and officers of Contrans, except as set out herein and except insofar as they may be Unitholders of the Fund, no Trustee of the Fund, director of Contrans or officer of the Fund or Contrans, or any proposed nominee for election as a Trustee of the Fund, trustee of Contrans Operating Trust (the "Operating Trust") or director of Contrans, or any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting.

**Securities and Principal Holders of Voting Securities**

As at March 1, 2005, the following voting securities in the capital of the Fund were issued and outstanding:

Subordinate Voting Trust Units	21,449,652
Subordinate Voting Rights	4,940,914
Multiple Voting Rights	1,467,724

Each subordinate voting trust unit and subordinate voting right entitles the holder thereof to one vote on all matters to be acted upon at the Meeting. Each multiple voting right entitles the holder thereof to ten votes on all matters to be acted upon at the Meeting. Subordinate voting trust units, subordinate voting rights and multiple voting rights are collectively referred to herein as the "units".

The Trustees have fixed the record date of March 24, 2005 for the purpose of determining Unitholders entitled to receive notice of and vote at the Meeting. Only persons registered as Unitholders on the books of the Fund as of the close of business on the record date are entitled to receive notice of and vote at the Meeting. The failure of any Unitholder to receive notice of the Meeting does not deprive the Unitholder of the right to vote at the Meeting.

To the knowledge of the Trustees and officers of the Fund and the directors and officers of Contrans, the only person or company who beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Fund carrying more than 10% of the voting rights attached to any class of voting securities of the Fund as at March 1, 2005 is as follows:

<u>Name</u>	<u>Number(%) of Subordinate Voting Trust Units</u>	<u>Number(%) of Subordinate Voting Rights</u>	<u>Number(%) of Multiple Voting Rights</u>	<u>Percentage of Votes Attached to Voting Securities</u>
Stanley G. Dunford	243,025 (1.13%)	3,309,839 (66.99%)	1,377,724 (93.87%)	42.20%
Goodman & Company, Investment Counsel Ltd.	3,737,800 (17.43%)	-	-	9.10%
Eno Investments Limited	21,360 (0.10%)	690,664 (13.98%)	-	1.73%

**Executive Compensation**

**Summary Compensation Table**

Under applicable securities legislation, the Fund is required to disclose certain financial and other information relating to the compensation of its Chief Executive Officer, Chief Financial Officer, and the Fund's three most highly compensated executive officers, (other than the Chief Executive Officer and Chief Financial Officer) whose total salary and bonus exceeds \$150,000. The Fund, however, does not carry on an active business. Rather, Contrans conducts the operations of the Fund. As described in more detail below, the executive officers of Contrans are compensated for acting in such capacities.

The following table provides information for the three financial years ended December 31, 2004 regarding compensation paid to or earned by the Chief Executive Officer of Contrans, the Chief Financial Officer of Contrans and the three most highly compensated executive officers of Contrans other than the Chief Executive Officer and Chief Financial Officer whose total salary and bonus exceeds \$150,000 as at December 31, 2004 (the "Named Executive Officers").

Name and Principal Position	Year <sup>(1)</sup>	Annual Compensation			Long Term Compensation			All Other Compensation <sup>(3)</sup> (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation <sup>(2)</sup> (\$)	Awards		Payouts	
					Securities Under Option/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Stanley George Dunford Chief Executive Officer of Contrans	2004	471,842	593,279	106,248	300,000	Nil	Nil	1,015
	2003	463,499	579,375	151,302	Nil	Nil	Nil	980
	2002 <sup>(1)</sup>	202,142	Nil	50,117	Nil	Nil	Nil	375
Gregory W. Rumble President and Chief Operating Officer of Contrans	2004	274,860	345,600	71,000	200,000	Nil	Nil	1,015
	2003	243,838	337,500	58,920	Nil	Nil	Nil	980
	2002 <sup>(1)</sup>	91,342	Nil	24,164	Nil	Nil	Nil	375
James S. Clark Vice President, Finance and Chief Financial Officer of Contrans	2004	137,500	60,000	Nil	40,000	Nil	Nil	1,015
	2003	119,823	50,000	Nil	Nil	Nil	Nil	980
	2002 <sup>(1)</sup>	45,228	Nil	Nil	Nil	Nil	Nil	375

Notes:

- (1) Represents the fiscal period commencing on July 23, 2002, being the date the Fund commenced significant operations, and ending on December 31, 2002.
- (2) The information under the column heading "Other Annual Compensation" includes an annual payment to Messrs. Dunford and Rumble equivalent to 15% of the executive's respective base salary listed under the column heading "Salary" as executive benefits in accordance with their employment contracts to be distributed at their discretion. The amounts listed in this column are further comprised of other benefits and perquisites in the form of a car allowance/benefits, premiums paid for long term disability insurance and club memberships, including the amount of \$68,637 for Mr. Dunford's club memberships in 2003.
- (3) The information under this column represents contributions to the cost of term life insurance.

### Unit Options

The Fund has implemented a unit option plan (the "Option Plan") which is designed to advance the interests of the Fund by encouraging employees, Trustees, directors and officers to have equity participation in the Fund through the acquisition of subordinate voting trust units.

The following table provides details of the options granted to the Named Executive Officers during the financial year ended December 31, 2004 pursuant to the Option Plan.

**Option/SAR Grants During 2004**

Name	Securities Under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Financial Year <sup>(1)</sup>	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
Stanley George Dunford	300,000	19.05%	\$11.50	\$11.50	March 24, 2014
Gregory W. Rumble	200,000	12.99%	\$11.50	\$11.50	March 24, 2014
James S. Clark	40,000	2.6%	\$11.50	\$11.50	March 24, 2014

(1) Based on the total number of options granted to employees of the Company and its subsidiaries pursuant to the Share Option Plan during the financial year ended December 31, 2004.

The following table provides details regarding stock options exercised by the Named Executive Officers during the financial year ended December 31, 2004 and year-end option values.

**Aggregated Option/SAR Exercises During 2004 and Year-End Option/SAR Values**

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at December 31, 2004		Value of Unexercised in-the-money Options/SARs at December 31, 2004 <sup>(1)</sup>	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Stanley George Dunford	Nil	Nil	60,000	240,000	151,800	607,200
Gregory W. Rumble	Nil	Nil	40,000	160,000	101,200	404,800
James S. Clark	Nil	Nil	8,000	32,000	20,240	80,960

(1) Calculated using the closing price of the Trust Units on the Toronto Stock Exchange on December 31, 2004 of \$14.03 less the exercise price of in-the-money stock options. These options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Trust Units on the date of exercise.

**Other Compensation Matters**

Other than the unit options listed above, there were no long-term incentive awards made to the Named Executive Officers during the fiscal year ended December 31, 2004. There are no pension plan benefits in place for the Named Executive Officers.

**Equity Compensation Plan Information**

The following table provides details of the compensation plans under which equity securities of the Fund are authorized for issuance as of the financial year ended December 31, 2004.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	2,762,165	\$11.50	1,222,165
Equity compensation plans not approved by security holders	Nil	N/A	Nil
Total	2,762,165	\$11.50	1,222,165

### Description of Unit Option Plan

Option grants are a critical element of Contrans' compensation policy and enable Contrans to attract and retain talented people in a competitive global environment. If Contrans is not successful in attracting and retaining talented employees, its ability to execute strategy, drive financial results and increase unitholder value may be adversely affected.

The eligible participants under the Option Plan include employees, directors, officers, trustees and consultants of the Fund and its affiliated entities. Options are personal to each eligible participant and are not assignable. The Option Plan provides that (i) the aggregate number of subordinate voting trust units reserved for issuance pursuant to options granted to insiders shall not exceed 10% of the total number of securities then outstanding; (ii) the aggregate number of subordinate voting trust units issued to insiders pursuant to the exercise of options, within a one-year period, shall not exceed 10% of the total number of securities then outstanding; (iii) the aggregate number of subordinate voting trust units issued to any one insider and such insider's associates pursuant to the exercise of options, within a one-year period, shall not exceed 5% of the total number of securities then outstanding; and (iv) the aggregate number of subordinate voting trust units reserved for issuance to any one person pursuant to the grant of options shall not exceed 5% of the total number of securities then outstanding (all on a non-diluted basis). Any subordinate voting trust units subject to a share option which for any reason is cancelled or terminated without having been exercised shall again be available for grant under the Option Plan.

In the fiscal year ended December 31, 2004, the Fund amended the Option Plan to increase the number of subordinate voting trust units approved for issuance upon the exercise of options granted thereunder from 1,581,831 to 2,762,165, an increase of 1,180,334. The Fund obtained Unitholder approval for the amendment at the annual and special meeting of Unitholders held on May 17, 2004. The 2,762,165 subordinate voting trust units currently reserved for issuance in connection with the Option Plan represent 10% of the Fund's issued and outstanding capital. As at December 31, 2004, an aggregate of 1,540,000 options have been granted to eligible participants under the Option Plan, representing 6% of the Fund's issued and outstanding capital. No subordinate voting trust units have been issued pursuant to exercises of options granted under the Option Plan.

The exercise price for options granted pursuant to the Option Plan is determined by the Trustees at the time each option is granted, provided that such price shall not be less than the closing price of the subordinate voting trust units on the Toronto Stock Exchange (the "TSX") on the last business day immediately preceding the date of grant of such option. Options must be exercised no later than 10 years after the date of grant or such lesser periods as the applicable grant or any regulations of the Trustees pursuant to the Option Plan may prescribe. The Trustees have the authority to determine when any option will become exercisable and may determine that the option will be exercisable in installments or pursuant to a vesting schedule. In the event of the termination or retirement of a participant under the Option Plan, each option shall cease to be exercisable within a period of 30 days after the termination date or retirement date, or such longer period as determined by the Trustees but which shall not in any event exceed the earlier of (i) the expiry date of such option; (ii) 12 months following the termination date or retirement date of a non-management trustee or director of the Fund or an affiliated entity; or (iii) 36 months following the termination date or retirement date of any other participant. In the event of the death of a participant, the legal representatives of the participant may exercise the options held by the participant within such period after the date of the participant's death as shall be determined by the Trustees, provided that no option shall remain outstanding for any period which exceeds the earlier of (i) the expiry date of the option and (ii) 12 months following the date of the death of the participant. The Trustees may determine at any time that all or any portion of an unvested option shall vest automatically or pursuant to a vesting schedule determined by the Trustees.

Subject to the prior approval of the regulatory authorities, as required, and the consent of any participant affected thereby, the Trustees may amend or modify any outstanding option in any manner to the extent that the Trustees would have had the authority to initially grant such option. The Trustees may amend, suspend or terminate the Option Plan or any portion thereof at any time in accordance with applicable legislation and subject to any required regulatory or Unitholder approval. In the event of a proposed sale or conveyance of all or substantially all of the outstanding subordinate voting trust units of the Fund, the Fund may give written notice to all participants that their respective options may be exercised only within 30 days after the date of such notice, following which all rights of the participants shall terminate and shall not be reinstated unless the proposed sale or conveyance is not completed within 180 days after the date of the notice. In the event of certain events deemed to be a "change of control" of the Fund and/or any of its subsidiaries, all outstanding options shall become immediately exercisable, notwithstanding any prior determination by the Trustees to the contrary.

Contrans will not provide any optionee with financial assistance in order to enable such optionee to exercise options granted under the Option Plan.

## **Employment Agreements**

### ***Dunford Employment Agreement***

Contrans has entered into an employment agreement (the "Dunford Employment Agreement") with Stanley G. Dunford, the Chairman and Chief Executive Officer of Contrans, for an indefinite period. Pursuant to the Dunford Employment Agreement, Contrans pays to Mr. Dunford an annual base salary of \$463,499 with annual adjustments based on the increase in the Ontario Consumer Price Index (the "Dunford Base Salary"). For the year ended December 31, 2004, Mr. Dunford's base salary was \$471,842. Mr. Dunford receives additional compensation, including: (i) participation in the executive management bonus and profit sharing plan for Contrans ("the Dunford Bonus") to be calculated and paid annually as approved by the compensation committee (the "Compensation Committee"); and (ii) executive benefits (the "Dunford Executive Benefits") being an annual cash payment equal to 15% of the Dunford Base Salary. Mr. Dunford is also entitled to the following: (i) short-term and long-term disability insurance coverage (the "Dunford Disability Insurance"); (ii) a minimum of eight weeks paid vacation per year; (iii) full reimbursement for all expenses relating to the purchase, lease, finance and operation of Mr. Dunford's automobile (the "Dunford Automobile Payments"); and (iv) participation in the Option Plan.

Pursuant to the Dunford Employment Agreement, Mr. Dunford is entitled to receive a lump sum payment (the "Dunford Severance") in the event that his employment is terminated by Contrans without just cause or in the event of Mr. Dunford's disability in an amount equal to: (i) 36 months of the Dunford Base Salary; (ii) 36 months of the Dunford Bonus (calculated based on the average bonus earned by Mr. Dunford in the two preceding complete fiscal years); (iii) 36 months of the Dunford Executive Benefits; (iv) 45% of the Dunford Base Salary in lieu of further executive benefits; (v) 24 weeks of the Dunford Base Salary in lieu of vacation pay; (vi) 36 months of continued coverage under the Dunford Disability Insurance; and (vii) an amount equal to the Dunford Automobile Payments in the three preceding complete fiscal years. In the event of Mr. Dunford's termination without just cause, the Dunford Employment Agreement does not require Mr. Dunford to mitigate his damages by seeking comparable alternate employment.

Further, in the event of a change of control of Contrans, Mr. Dunford has the right, for a period of 24 months after the occurrence of a change of control, to resign from his employment with Contrans and be paid an amount equal to the Dunford Severance. Change of control in the Dunford Employment Agreement means: (i) any person, entity or group of persons or entities acting jointly or in concert, other than associates or affiliates (as such terms are defined in the Business Corporations Act (Ontario)) of Mr. Dunford, acquiring direct or indirect beneficial ownership, control or direction (including, without limitation, the power to vote) over more than 20% of the issued and outstanding voting rights attaching to all the outstanding securities of the Fund; or (ii) at such times as Mr. Dunford ceases to hold voting rights over less than 33% of all voting rights attaching to all the outstanding securities of the Fund. The change of control provision is not effective while any multiple voting rights are outstanding.

### ***Rumble Employment Agreement***

Contrans has entered into an employment agreement (the "Rumble Employment Agreement") with Gregory W. Rumble, the President and Chief Operating Officer of Contrans, for an indefinite period. Pursuant to the Rumble Employment Agreement, Contrans pays to Mr. Rumble an annual base salary of \$270,000 with annual adjustments based on the increase in the Ontario Consumer Price Index (the "Rumble Base Salary"). For the year ended December 31, 2004, Mr. Rumble's base salary was \$274,860. Mr. Rumble receives additional compensation, including: (i) participation in the executive management bonus and profit sharing plan for Contrans (the "Rumble Bonus") to be calculated and paid annually as approved by the Compensation Committee of the board of directors of Contrans; and (ii) executive benefits (the "Rumble Executive Benefits") being an annual cash payment equal to 15% of the Rumble Base Salary. Mr. Rumble is also entitled to the following: (i) short-term and long-term disability insurance coverage (the "Rumble Disability Insurance"); (ii) a minimum of six weeks paid vacation per year; (iii) full reimbursement for all expenses relating to the operation of Mr. Rumble's automobile (the "Rumble Automobile Payments"); and (iv) participation in the Option Plan.

Pursuant to the Rumble Employment Agreement, Mr. Rumble is entitled to receive a lump sum payment (the "Rumble Severance") in the event that his employment is terminated by Contrans without just cause in an amount equal to: (i) 24 months of the Rumble Base Salary; (ii) 24 months of the Rumble Bonus (calculated based on the average bonus earned by Mr. Rumble in the two preceding complete fiscal years); (iii) 24 months of the Rumble Executive Benefits; (iv) 30% of the Rumble Base Salary in lieu of further executive benefits; (v) 12 weeks of the Rumble Base Salary in lieu of vacation pay; (vi) 24 months of continued coverage under the Rumble Disability Insurance; and (vii) an amount equal to the Rumble Automobile Payments in the two preceding complete fiscal years. In the event of Mr. Rumble's termination without just cause, the Rumble Employment Agreement does not require Mr. Rumble to mitigate his damages by seeking comparable alternate employment.

Further, in the event of a change of control of Contrans, Mr. Rumble has the right, for a period of 24 months after the occurrence of a change of control, to resign from his employment with Contrans and be paid an amount equal to the Rumble Severance. Change of control in the Rumble Employment Agreement is defined to mean: (i) Mr. Dunford no longer holding the office of Chief Executive Officer and/or Chairman; and (ii) any person, entity or group of persons or entities acting jointly or in concert, other than associates or affiliates (as such terms are defined in the Business Corporations Act (Ontario)) of Mr. Dunford, acquiring direct or indirect beneficial ownership, control or direction (including, without limitation, the power to vote) over more than 20% of the total issued and outstanding votes attaching to all the outstanding securities of the Fund at any time after Mr. Dunford ceases to hold voting rights in the Fund having not less than 33% of all voting rights issued by the Fund. Where a change of control arises from Mr. Dunford no longer holding the office of Chairman or Chief Executive Officer, Mr. Rumble has agreed that he cannot exercise his severance rights for a period of 12 months and thereafter may only exercise such rights for a period of 12 months. In addition, the elimination of Multiple Voting Rights held by Mr. Dunford will not constitute or cause a change of control pursuant to the definition of change of control in the Rumble Employment Agreement.

The Rumble Severance is also payable in the event that Mr. Rumble is unable to perform his fundamental duties as a result of physical or mental disability, resulting in Contrans terminating his employment.

### **Compensation of Trustees of the Fund and Directors of Contrans**

Trustees are entitled to compensation for services rendered to the Fund in their capacities as trustees, unless they are paid compensation in their capacities as trustees of Contrans Operating Trust or directors of Contrans. For the year ended December 31, 2004, compensation for trustees and for directors was \$10,000 per year plus an additional \$5,000 per year for the chair of the audit committee and \$3,000 per year for each chair of any other committee. For the year ended December 31, 2004, all trustees and directors, as applicable, were paid \$2,000 for each meeting attended in person and \$500 for each meeting attended by conference call. The trustees and directors, as applicable, are also entitled to be reimbursed for reasonable travel and other expenses properly incurred by them in attending board or committee meetings in connection with their services as trustees or directors, as applicable.

During the financial year ended December 31, 2004 the three outside Trustees of the Fund, Robert Burgess, Archie Leach and Ross Amos, and an outside director of Contrans, P. Anthony Ennis, were each awarded 50,000 options pursuant to the Fund's Option Plan.

None of the directors or trustees were compensated in their capacity as director or trustee by the Fund or any of its subsidiaries, as applicable during the financial year ended December 31, 2004 pursuant to any other arrangement or in lieu of any standard compensation arrangement.

#### **Indebtedness of Trustees, Directors, Executive Officers and Employees**

As at March 24, 2005, no current or former Trustee, director or executive officer or employee of the Fund or any of its subsidiaries, as applicable, is indebted to the Fund or any of its subsidiaries, nor has the indebtedness of any of them to another entity been the subject of guarantee, support agreement, letter of credit or similar arrangement or undertaking provided by the Fund or any of its subsidiaries.

#### **Liability Insurance**

Contrans provides insurance for the benefit of the Trustees of the Fund, directors of Contrans and officers of the Fund and Contrans against liability incurred by them in such capacities. The current annual policy limit is \$50 million and contains a deductible clause of \$100,000 payable by Contrans. During the policy year of March 31, 2004 to March 31, 2005, Contrans paid an annual premium of \$322,750 for this insurance.

#### **Interests of Informed Persons in Material Transactions**

Except as set out below, no informed person of the Fund, nor any proposed nominee for election as a Trustee of the Fund, trustee of the Operating Trust or director of Contrans, nor any associate or affiliate of such persons, has had any material interest, direct or indirect, in any transaction or any proposed transaction since the commencement of the Fund's last financial year or in any proposed transaction, which has materially affected or would materially affect the Fund or any of its subsidiaries.

The Fund and its affiliates acquire in the ordinary course of business a portion of their requirements for tractors and equipment repairs from Peterbilt of Ontario Inc. Mr. Dunford, Chief Executive Officer and a Trustee of the Fund, owns directly a majority interest in Peterbilt of Ontario Inc.

#### **Composition of the Compensation Committee**

The Compensation Committee of the Fund assists the Trustees' in determining and administering the compensation of the executive officers of the Fund and its subsidiaries. The Compensation Committee of the Fund is comprised of three trustees, Archie M. Leach (Chairman), Robert B. Burgess and Gregory W. Rumble. Mr. Rumble is also the Chief Operating Officer and President of the Fund.

The Compensation Committee is considering the development of a formal charter. The proposed charter will be prepared in accordance with the guidelines set forth in proposed National Instrument 58-101, Disclosure of Corporate Governance Practices ("NI 58-101"), as may be amended from time to time.

#### **Report on Executive Compensation**

The Fund's executive compensation program is composed of base salaries, short-term incentives in the form of cash bonus opportunities, long-term incentives in the form of options and competitive group insurance coverage and perquisites. The various components of the Fund's executive compensation program are designed to play a roll in:

1. Providing a competitive level of compensation;
2. Retaining and motivating its executives who are critical to the Fund's long-term success; and
3. Reinforcing the link between the Unitholders' interest and the compensation of the Fund's executives.

In order to achieve these objectives, the compensation paid to executive officers consists of the following three components; (a) base salary; (b) bonus; and (c) long-term incentive in the form of unit options granted in accordance with the Option Plan.

### **Base Salary**

Individual executive salaries are normally set at or below the median salary ranges for comparable entities.

### **Short-Term Cash Bonuses**

Pay for performance is an important underlying principle of the Fund's executive compensation philosophy, with the result that variable compensation can represent a substantial proportion of total compensation. The Fund administers a short-term cash bonus incentive plan which is based on distributions paid throughout the year. Such short-term cash bonuses are paid shortly following the year in which they are earned.

### **Long-Term Incentive Plan**

In 2002, the Option Plan was implemented by the Fund. Options are granted at the discretion of the Board of Trustees based on the contribution made by the individuals toward the long-term success and growth of the Fund.

### **Compensation of the Chief Executive Officer**

The three main components of the compensation of the Chief Executive Officer of Contrans are base salary, annual incentive and a long-term incentive based on the increase in the value of units under the Option Plan. Competitive benefits and perquisites are also provided.

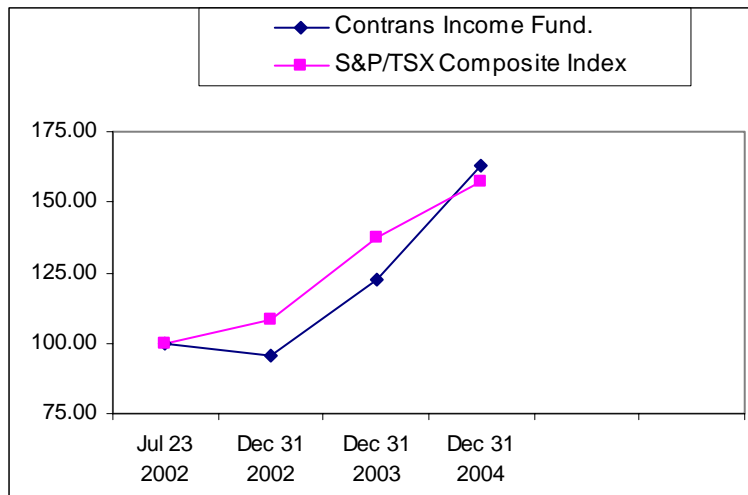
The components of the Chief Executive Officer's compensation are the same as those which apply to the other senior executive officers of the Fund, namely base salary, bonus and long-term incentives in the form of unit options. These components are set forth in Mr. Dunford's employment agreement and provide for a minimum base salary of \$463,499 per year, subject to annual increases to reflect the annual increase in the Ontario Consumer Price Index. For the year ended December 31, 2004, Mr. Dunford received a base salary of \$471,842 (see "Dunford Employment Agreement" above for further details). The Chairman of the Compensation Committee presents recommendations to the board of directors of Contrans with respect to the Chief Executive Officer's compensation. In setting the Chief Executive Officer's salary and bonus, the Compensation Committee reviews salaries and bonuses paid to other senior officers of the Fund, salaries and bonuses paid to other chief executive officers in the industry and the Chief Executive Officer's impact on the achievement of the Fund's objectives for the previous financial year, including the amount of distributions paid throughout the year. During the financial year ended December 31, 2004, Mr. Dunford was also granted 300,000 unit options under the Option Plan (see "Option/SAR Grants During 2004" table above for further details).

Submitted on behalf of the Compensation Committee:

Archie M. Leach, Chairman  
Robert B. Burgess  
Gregory W. Rumble

**Performance Graph**

The following graph compares the yearly percentage change in the cumulative total Unitholder return for an initial investment of \$100 in subordinate voting trust units on July 23, 2002, being the date the subordinate voting trust units were listed and posted for trading on the TSX, and on December 31, 2002, December 31, 2003 and December 31, 2004, against the cumulative total shareholder return of the S&P/TSX Composite Index for the three most recently completed fiscal years of the Fund, assuming the reinvestment of all distributions.



	<u>Jul 23, 2002</u>	<u>Dec 31, 2002</u>	<u>Dec 31, 2003</u>	<u>Dec 31, 2004</u>
Contrans Income Fund	100.00	95.27	122.81	162.89
S&P/TSX Composite Index	100.00	108.31	137.25	157.13

**Statement of Corporate Governance Practices**

**Corporate Governance**

The TSX has adopted guidelines for effective corporate governance which address the constitution and independence of boards, the functions to be performed by boards and their committees and the recruitment, effectiveness and education of board members. A description of the Fund's corporate governance practices is set out below, including a discussion of the principal matters relating to corporate governance practices discussed in the TSX guidelines.

This discussion statement has been prepared by the Corporate Governance Committee and has been approved by the Board.

**Mandate**

As Unitholders of the Fund are aware, the Fund, through its operating subsidiaries, is one of Canada's leading providers of freight transportation services and offers a wide range of truckload services to the flatbed, van, tank, dump and liquid areas of the freight transportation market. The Fund operates in the school bus market as a provider of transportation for school children attending public and private schools. The Fund operates primarily in Ontario, Quebec, the Atlantic provinces and the eastern, midwestern and southern United States. The Board of Trustees of the Fund together with its officers and employees are committed to fulfilling its mandate, which may be summarized as follows:

1. To provide transportation services in a responsible manner, with primary concern for the safety of the public;
2. To provide its employees and independent drivers with a safe and positive working environment in which loyalty and exemplary customer service are fostered;
3. To serve its customers in a timely, efficient and diligent manner; and
4. To provide transportation services on a competitive basis.

### **Recruitment of New Trustees**

The Fund intends to develop a procedure for recruiting new Trustees and addressing other performance enhancing measures. The Corporate Governance Committee is responsible for analyzing the requirements of the Board of Trustees of the Fund when vacancies arise on the Board and recommending nominees who meet the requirements.

### **Unitholder Feedback and Concerns**

The Fund is dedicated to the maintenance of good Unitholder relations and attempts to deal with any expressed concerns of Unitholders in an effective and timely manner. In particular, the Fund takes special efforts to ensure that all legal and stock exchange requirements are addressed in a timely and effective manner. The Fund has few concerns or complaints expressed to it by Unitholders, but attempts to deal with the same effectively, in an informal manner.

### **Board Expectations of Management**

The Board of Trustees expects management to operate the business in accordance with the mandate referred to above and to achieve maximum Unitholder value, consistent with public and employee safety and the other objectives referred to above. The results of the management activities are reviewed monthly by the Board.

### **TSX Corporate Governance Guidelines**

The TSX report proposes 14 specific guidelines for effective corporate governance and requires each listed company to disclose its approach to corporate governance and, where the company's system is different from the guidelines, an explanation of the differences. The approach of the Fund to the specific guidelines is as follows:

1. **The Board should explicitly assume responsibility for stewardship of the Fund, and specifically for:**
  - (i) **Adoption of Strategic Planning Process;**

Management has developed a strategic planning process which has been approved by the Corporate Governance Committee.
  - (ii) **Identification of Principal Risks and Ensuring Implementation of Risk Management Systems;**

Management of the Fund and Contrans has identified the principal risks of the business, which relate primarily to its involvement in the transportation business and the products transported and students bussed. Also of significance is the ability of the Fund to address differing levels of general economic activity which will affect the revenues of the business. The Fund believes that it has adequate training and quality control procedures and insurance to address the transportation risks and that its cost controls and capital base are sufficient to deal with economic fluctuations.

**(iii) Succession Planning and Monitoring Senior Management;**

The Corporate Governance Committee is responsible for making recommendations to the Board of Trustees of the Fund as to succession planning, including appointing, training and monitoring senior management of the Fund and entities controlled by the Fund.

**(iv) Communications Policy;**

The Fund has not adopted a formal communications policy. It does however have procedures in place to ensure compliance with its statutory reporting and disclosure requirements.

**(v) Integrity of Internal Control and Management Information Systems;**

Management of the Fund believes that adequate controls are in place to protect the integrity of the Fund's internal control and management information systems. These controls are subject to periodic management reports to the Board of Trustees of the Fund.

**2. Majority of Trustees should be "unrelated" (independent of management and free from conflicting interest).**

Consistent with the approach to the management and operations of the Fund, as set out above, the Board of Trustees of the Fund consists of five individuals, two of whom are officers of the Fund and three of whom are unrelated. Although Mr. Dunford is a significant Unitholder of the Fund, the Board of Trustees believe that the number of Trustees who do not have interests in or relationships with the Fund or Mr. Dunford fairly reflects the investment in the Fund by Unitholders other than Mr. Dunford.

**3. Disclosure for each Trustee whether he is related, and how that conclusion is reached.**

Mr. Dunford is an officer and a significant Unitholder of the Fund and Mr. Rumble is an officer of the Fund and accordingly each is a related Trustee. None of the remaining three Trustees is a member of management of the Fund or has any interest or business or other relationship which could, or could reasonably be perceived to, materially interfere with the Trustee's ability to act with a view to the best interests of the Fund, other than interests and relationships arising from their unitholdings.

**4. Appoint a committee responsible for the appointment/assessment of Trustees.**

The Corporate Governance Committee is responsible for analyzing the requirements of the Board of Trustees of the Fund when vacancies arise on the Board and recommending nominees who meet the requirements. The Corporate Governance Committee is comprised of three Trustees, all of whom are outside and unrelated Trustees.

**5. Implement a process for assessing the effectiveness of the Board, its committees and individual Trustees.**

The Corporate Governance Committee is responsible for reviewing on a periodic basis, the composition of the Board of Trustees of the Fund to ensure that an appropriate number of independent trustees sit on the Board of Trustees of the Fund. Mandates have been developed for the Audit Committee and Corporate Governance Committee and are reviewed, as appropriate. The Corporate Governance Committee is currently in the process of developing mandates for the board of trustees and other committees based on the guidelines set forth in NI 58-101. The Corporate Governance Committee intends to have charters in place for all committees upon the coming into force of NI 58-101.

**6. Provide orientation and education programs for new Trustees.**

The Corporate Governance Committee is responsible for approving an appropriate orientation and education program for new members of the Board of Trustees of the Fund.

**7. Consider reducing the size of the Board, with a view to improving effectiveness.**

The Fund believes that the size of its Board of Trustees is appropriate for its operations.

**8. Review compensation of Trustees in light of risks and responsibilities.**

The Board of Trustees of the Fund believes that the remuneration of the Trustees is adequate having regard to the responsibilities and risk involved with being an effective Trustee. The Corporate Governance Committee is responsible for considering the adequacy and form of compensation paid to the Trustees of the Fund and committee members.

**9. Committees should generally be composed of outside Trustees and a majority of Committee members should be unrelated.**

The three committees of the Board of Trustees of the Fund are the Audit Committee, the Compensation Committee and the Corporate Governance Committee. The Audit Committee and the Corporate Governance Committee are each comprised of three Trustees, Archie M. Leach, Robert B. Burgess and G. Ross Amos, all of whom are outside and unrelated Trustees. The Compensation Committee is comprised of three trustees, Archie M. Leach, Robert B. Burgess and Gregory W. Rumble, a majority of whom are outside and unrelated Trustees.

**10. Appoint a committee responsible for approach to corporate governance issues.**

The Corporate Governance Committee has been formally mandated to develop the Fund's approach to governance issues.

**11. Define limits to management's responsibilities by developing mandates for the Board and the CEO and approve the corporate objectives the CEO is responsible for meeting.**

As set forth above, the Corporate Governance Committee is currently in the process of developing a mandate for the Board of Trustees. The Board of Trustees, upon recommendation of the Compensation Committee, reviews and approves the terms of the employment agreements of Messrs. Dunford and Rumble, which provide a brief description of their responsibilities. With these exceptions, there are no formal position descriptions for the Board, the CEO or the President or other defined limits to management's responsibilities, nor are there defined objectives which the President is responsible for meeting.

**12. Establish structures and procedures to enable the Board to function independently of management.**

The Corporate Governance Committee is responsible for recommending procedures to permit the Board of Trustees of the Fund to meet not less frequently than annually without management present (other than management members who are Trustees). Trustees who have an interest in a particular matter under consideration declare the same and refrain from discussing or voting on the matter or absent themselves from the meeting during the discussion and vote.

**13. Establish an audit committee with a specifically defined mandate, all members of which should be outside Trustees.**

The Audit Committee is comprised solely of outside Trustees of the Fund. Its mandate includes the review of financial statements and reviewing and reporting to the Board of Trustees on internal controls of the Fund. The Audit Committee meets periodically with the Fund's external auditors in the absence of management.

**14. Implement a system to enable individual Trustees to engage outside advisors at the Fund's expense.**

The Corporate Governance Committee is responsible for considering and, if thought fit, approving requests from Trustees of the Fund or committees of the Trustees to engage special advisors.

**Particulars of Matters to be Acted Upon**

**Election of Trustees**

The Declaration of Trust provides that there will be a minimum of three Trustees and a maximum of ten Trustees with the number of Trustees within that range being fixed by resolution of the Trustees. There are currently five Trustees of the Fund.

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote in favour of the election, as Trustees of the Fund, of the nominees whose names are set forth below. All of the nominees are currently Trustees of the Fund. Each Trustee will hold office for a term expiring at the close of the next annual meeting of Unitholders, unless his office is vacated earlier due to death, removal, resignation or ceasing to be duly qualified. The Trustees do not contemplate that any of the nominees will be unable to serve as a Trustee,

but should that circumstance arise for any reason prior to the Meeting, the persons named in the enclosed form of Proxy reserve the right to vote for another nominee at their discretion.

The following table and the notes thereto set forth the names of the persons proposed to be nominated for election as Trustees, their principal occupations or employments, the periods during which they have served as Trustees of the Fund and the approximate number of units beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them. The statement as to the number of units beneficially owned by the nominees for election as Trustees of the Fund is in each instance based upon information furnished by the person concerned and is at March 1, 2005. Each Trustee elected will hold office until the close of business of the first annual meeting of Unitholders following his election unless his office is earlier vacated.

<b>Name and Province of Residence</b>	<b>Position with the Fund</b>	<b>Principal Occupation</b>	<b>No. of units Beneficially Owned, Controlled or Directed<sup>(1)</sup></b>	<b>Trustee Since</b>
Stanley G. Dunford Ontario, Canada	Chairman of Trustees and Chief Executive Officer	Chairman of the Trustees and Chief Executive Officer of Contrans	4,930,588 <sup>(2)</sup>	2002
Gregory W. Rumble <sup>(4)</sup> Ontario, Canada	Trustee, President and Chief Operating Officer	President and Chief Operating Officer of Contrans	486,928	2002
Robert B. Burgess <sup>(3)(4)(5)</sup> Ontario, Canada	Trustee	Barrister and Solicitor	309,412	2002
Archie M. Leach <sup>(3)(4)(5)</sup> Ontario, Canada	Trustee	President and Chief Executive Officer of Carroll Hospital Group, a manufacturer of healthcare products	141,927	2002
G. Ross Amos <sup>(3)(5)</sup> Ontario, Canada	Trustee	President of Everest Canadian Property Company, a real estate investment bank	1,114	2002

Notes:

- (1) The information as to units beneficially owned or over which control or direction is exercised, not being within the knowledge of the Fund, has been furnished by the proposed nominees.
- (2) See "Securities and Principal Holders of Voting Securities".
- (3) Member of the Audit Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Corporate Governance Committee.

#### **Nomination for Election to the Board of Trustees of Contrans Operating Trust**

Pursuant to the Declaration of Trust, Unitholders are indirectly entitled to elect the board of trustees of the Operating Trust. The nominees for election to the board of trustees of the Operating Trust will be the same individuals as the Trustees of the Fund set out in the chart above. Each trustee of the Operating Trust elected will hold office until the close of business of the first annual meeting of unitholders of the Operating Trust following his election unless his office is earlier vacated. Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote for directing the Trustees of the Fund to vote the securities of the Operating Trust so as to elect such nominees as trustees of the Operating Trust.

#### **Nomination for Election to the Board of Directors of Contrans**

Pursuant to the Declaration of Trust and the declaration of trust of the Operating Trust, Unitholders are indirectly entitled to elect the board of directors of Contrans. The nominees for election to the board of directors of Contrans will be the individuals set out in the chart below. Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote for directing the Trustees of the Fund to direct the trustees of the Operating Trust to vote the securities of Contrans so as to elect such nominees as directors of Contrans.

The following table and the notes thereto set forth the names of the persons proposed to be nominated for election as directors of Contrans, their principal occupations or employments, the periods during which they have served as directors of Contrans and the approximate number of units beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them. The statement as to the number of units beneficially owned by the nominees for election as directors of Contrans is in each instance based upon information furnished by the person concerned and is at March 1, 2005. Each director elected will hold office until the close of business of the first annual meeting of shareholders of Contrans following his election unless his office is earlier vacated.

Name and Province of Residence	Principal Occupation	No. of units Beneficially Owned, Controlled or Directed <sup>(1)</sup>	Director Since
Stanley G. Dunford Ontario, Canada	Chairman of the Trustees and Chief Executive Officer of Contrans	4,930,588 <sup>(2)</sup>	1988
Gregory W. Rumble Ontario, Canada	President and Chief Operating Officer of Contrans	486,928	1991
Robert B. Burgess Ontario, Canada	Barrister and Solicitor	309,412	1984
Archie M. Leach Ontario, Canada	President and Chief Executive Officer of Carroll Hospital Group, a manufacturer of healthcare products	141,927	1992
P. Anthony Ennis Ontario, Canada	President of Round Oak Management Ltd. (management consulting)	Nil	2001

Notes:

- (1) The information as to units beneficially owned or over which control or direction is exercised, not being within the knowledge of the Fund, has been furnished by the proposed nominees.
- (2) See "Securities and Principal Holders of Voting Securities".

### **Appointment of Auditors of the Fund**

The auditors of the Fund are KPMG LLP, Chartered Accountants. Unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the appointment of KPMG LLP, Chartered Accountants, as the auditors of the Fund, to hold office until the next annual meeting of shareholders, at a remuneration to be fixed by the Trustees. KPMG LLP, Chartered Accountants, was first appointed as auditors on May 21, 2003.

### **Audit Committee**

Information on the Audit Committee of the Board of Trustees of the Fund is provided in the Fund's Annual Information Form dated March 24, 2005, which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Additional Information**

Additional information relating to the Fund can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Fund's financial statements for the financial year ended December 31, 2004 and related management's discussion and analysis of financial results, which can be found in the Fund's annual report to shareholders, which accompanies this information circular and has also been filed on SEDAR. Shareholders may also contact the Secretary of Contrans Corp. by phone at 519-421-4600 or by e-mail at [jmiller@contrans.ca](mailto:jmiller@contrans.ca) to request copies of these documents.

### **Trustees' Approval**

The contents of this management information circular and the sending thereof have been approved by the Trustees of the Fund.

"Stanley G. Dunford"  
Trustee

Woodstock, Ontario  
March 24, 2005