

The logo for CONTRANS INCOME FUND features the text "CONTRANS INCOME FUND" in a bold, italicized, sans-serif font. A thin, dark arc is positioned above the text, starting above the 'C' and ending above the 'D', creating a stylized underline or swoosh effect.

CONTRANS INCOME FUND

RENEWAL ANNUAL INFORMATION FORM

March 27, 2006

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STRUCTURE OF THE FUND

Contrans Income Fund (the "Fund") is an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The Fund's predecessor was the publicly traded corporate entity, Contrans Corp. The Fund qualifies as a unit trust and mutual trust fund within the meaning of the Income Tax Act (Canada) and is therefore not subject to taxation on its income distributed to unitholders.

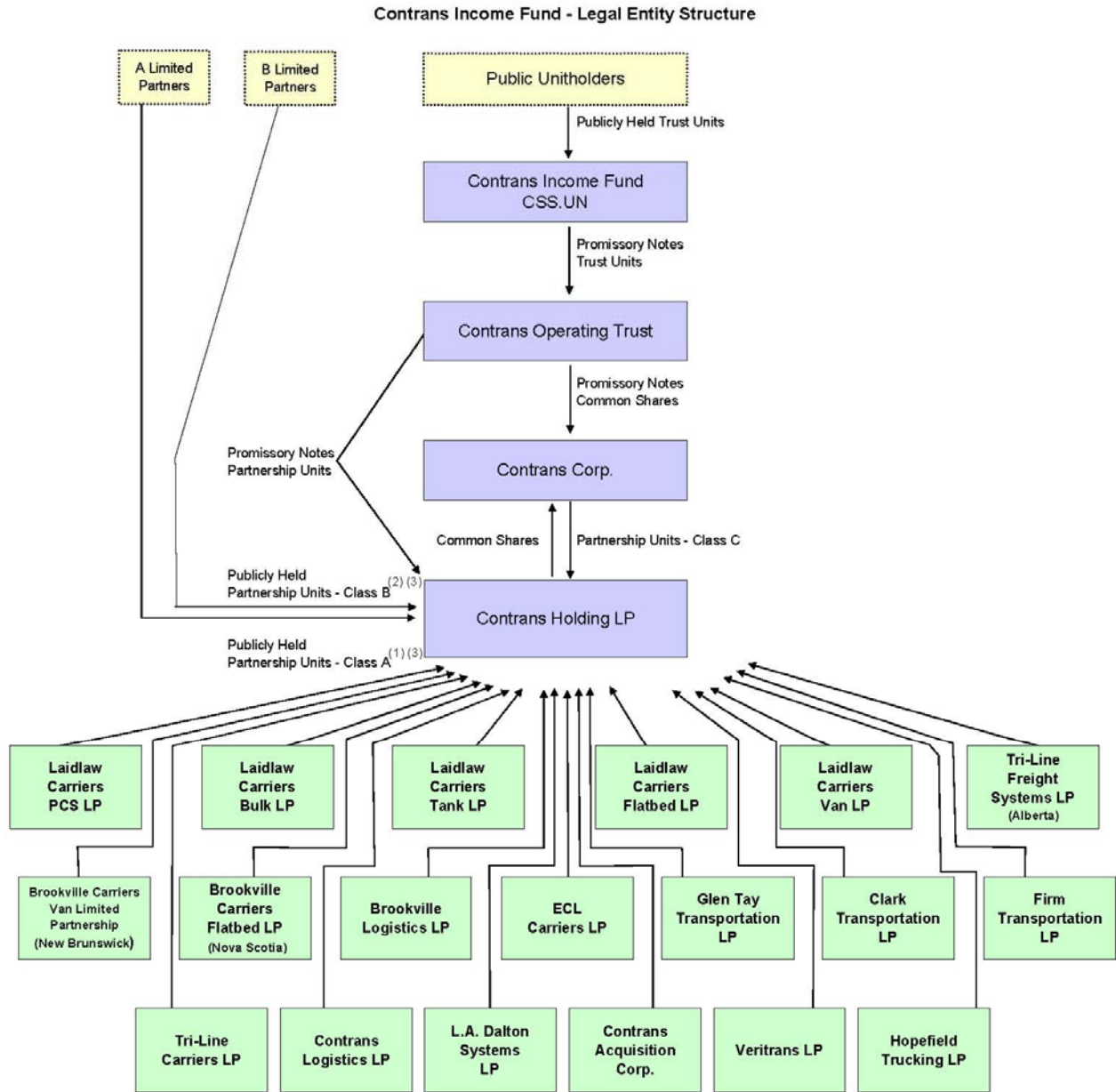
On July 23, 2002, Contrans completed its conversion into an income trust, which makes monthly distributions of its available cash to the holders of its units. At the same time, the Fund completed its initial public offering of 4.9 million trust units at a price of \$9.50 per unit, for gross proceeds to the Fund of \$46.4 million.

The Fund was created for the purpose of acquiring and holding certain investments, initially through the effective acquisition by the Fund of Contrans and its direct and indirect operating entities. Contrans is one of Canada's leading providers of freight transportation services and offers a wide range of services to the truckload market primarily in Canada and the eastern, midwestern and southern United States.

On March 1, 2004, the Fund completed a second public offering of 3.7 million trust units at a price of \$11.00 per unit, for gross proceeds to the Fund of \$40.7 million.

The head office of the Fund is located at 1179 Ridgeway Road, Woodstock, Ontario, N4S 8P6.

The following chart sets forth the organizational structure of the Fund, including each of the material active entities directly and indirectly owned by, or related to, the Fund. Unless otherwise indicated, each of the entities identified on the chart has been incorporated or formed pursuant to the laws of the Province of Ontario:



- (1) The Fund has issued to the holders of Class A LP Units one Subordinate Voting Right for each Class A LP Unit held. Each Subordinate Voting Right entitles the holder to one vote at all meetings of Unitholders.
- (2) The Fund has issued to the holders of Class B LP Units one Multiple Voting Right for each Class B LP Unit held. Each Multiple Voting Right entitles the holder to ten votes at all meetings of Unitholders.
- (3) Pursuant to the Exchange Agreements, Class A LP Units and Class B LP Units are directly exchangeable on a one-for-one basis for Subordinate Voting Trust Units at the option of the holders at any time and, in certain circumstances, at the option of the Operating Trust.

* Each of the limited partnerships identified above has a general partner (using the same name replacing "LP" with "GP Inc.") The general partner corporations are wholly-owned subsidiaries of Contrans Corp. and have a very small entitlement to partnership income from the respective limited partnerships. The general partner corporations have been omitted from this chart for simplicity.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Contrans commenced operations as a provider of freight transportation services in the truckload market in 1985. From 1991 to 1993, Contrans disposed of its non-core assets. In 1995 Contrans began expanding its freight transportation services through acquisitions.

During 2001 and early 2002, management of Contrans conducted an extensive review of Contrans' performance, asset base and future growth prospects and considered various strategic alternatives for enhancing shareholder value and ensuring that the basis for funding the continued growth of Contrans would be available at a reasonable cost to Contrans. In February 2002, management of Contrans began to evaluate the benefits that might accrue to the shareholders if Contrans were reorganized into an income trust. On July 23, 2002 Contrans completed the conversion from a share corporation to an income fund trust.

In 2002, Contrans expanded and diversified its presence in the transportation industry by entering the School Bus segment of the industry. Management concentrated its efforts on improving the profitability of this segment, as well as growing the operations both internally and through acquisitions.

In 2005, management concluded that there was greater long-term potential value for unitholders through the redeployment of capital into freight transportation ventures and completed the sale of the School Bus segment.

Contrans has completed the following freight transportation acquisitions in the last three years:

Date	Name	Location	Service Area
January 29, 2003	Harold Bird Trucking Inc.	Hamilton, Ontario	Dump
May 16, 2003	Canada Starch Company	Cardinal, Ontario	Tank
January 1, 2004	Olinyk Trucking Ltd	Edmonton, Alberta	Flatbed
March 1, 2004	Elgin Cartage Limited	London, Ontario	Bulk
April 1, 2004	Clark Leasing Limited	Perth, Ontario	Van
June 1, 2004	Keruda Traffic Service Inc.	Waterford, Ontario	Van
November 1, 2004	Firm Transportation and Distribution Services Inc.	Toronto, Ontario	Logistics
June 1, 2005	Howard L. Wood Transport Ltd.	Bowmanville, Ontario	Bulk
August 1, 2005	Overland Carriers Ltd.	Calgary, Alberta	Tank
October 3, 2005	L. A. Dalton Systems Inc.	Binbrook, Ontario	Flatbed
October 14, 2005	Hopefield Trucking Limited	Mississauga, Ontario	Flatbed

The aggregate consideration paid for acquisitions in the last three years was approximately \$50.8 million.

DESCRIPTION OF THE BUSINESS

Financial information provided in this annual information form for the fiscal year of the Fund is for the year ended December 31, 2005.

The Fund

The Fund's assets consist of the Operating Trust Units and Operating Trust Notes. The Fund distributes amounts received from the Operating Trust net of any expenses and after any cash redemptions on the Subordinate Voting Trust Units.

The Operating Trust

The Operating Trust is an unincorporated, open-ended trust established under the laws of the Province of Ontario pursuant to the COT Declaration of Trust. The initial holder of all of the Operating Trust Units is the Fund. The Operating Trust has been formed to further the investment and business purposes of the Fund by providing a vehicle for investment in units and debt.

Contrans

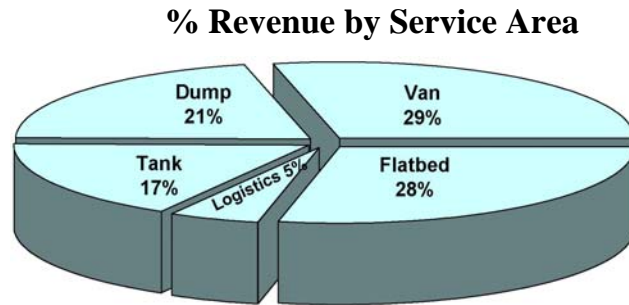
Business Overview

Contrans is one of Canada's leading providers of freight transportation services and offers services in the truckload market. In the truckload market of the freight transportation industry, a customer has exclusive use of a trailer that is generally filled to capacity by volume or weight.

Contrans provides many modes of transportation. Contrans has the ability to satisfy most freight transportation needs in the market. Contrans' services are categorized as follows:

1. Van — provides shipments in closed vans throughout Canada and the United States.
2. Flatbed — provides shipments on open trailers primarily throughout Canada and the United States.
3. Tank — provides shipments of liquid and dry bulk material in enclosed tank trailers primarily throughout Ontario, Québec, Alberta, Michigan and New York.
4. Bulk — provides shipments in bulk trailers primarily throughout Ontario, Québec and the northeast area of the United States.
5. Logistics — provides service to clients to meet their worldwide shipping requirements.

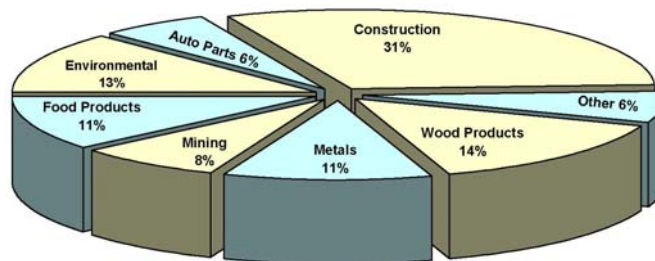
The following chart provides the Fund's consolidated 2005 revenues by service area:



The Dump, Van, Flatbed, and Tank service areas also earn brokerage revenue as an integral part of their freight operations. The prior year's consolidated revenues by service area were: Van 30%; Flatbed 28%; Tank 16%; Dump 19% and Bussing 7%.

Contrans' strength is its diverse customer base. Contrans transports a wide range of commodities and other products including steel, lumber, drywall, cement, waste, aggregates, paper products and liquid products. The diversity of industries serviced by its customers helps to protect Contrans from seasonal fluctuations and economic swings.

% Revenue by Customer Industry Sector



Contrans primarily services customers in Canada and the eastern, midwestern and southern United States.

Contrans' terminals are situated close to its customers' operations. The terminals provide a base from which power units and trailers are dispatched. Currently, Contrans' operations are managed on a decentralized basis. Driver dispatch, marketing, driver recruitment and training, equipment management, administration and accounting are performed at the divisional level. The principal office located in Woodstock, Ontario provides administrative support services in the areas of insurance, payroll, information technology, finance and external reporting.

The following chart summarizes Contrans' terminal locations by service area:

Terminal Locations by Service Area (as at December 31, 2005)

	FLATBED	BULK	TANK	VAN	LOGISTICS
BROOKVILLE CARRIERS FLATBED LP	Woodstock NB			Saint John NB	
BROOKVILLE CARRIERS VAN LP	Truro NS			Dartmouth NS	
BROOKVILLE LOGISTICS LP				Milton ON	Dartmouth NS
CLARK TRANSPORTATION LP				Beloil PQ	
CONTRANS LOGISTICS LP				Perth ON	Stoney Creek ON
ECL CARRIERS LP		London ON			
FIRM TRANSPORTATION LP					Toronto ON
GLEN TAY TRANSPORTATION LP			Perth ON	Bedford PQ	
HOPEFIELD TRUCKING LP	Mississauga ON				
L.A. DALTON SYSTEMS LP	Binbrook ON	Woodstock ON			
LIDLAW CARRIERS BULK LP		Chicoutimi PQ			
LIDLAW CARRIERS FLATBED LP	Hagersville ON	Beloil PQ			
LIDLAW CARRIERS PCS LP	North Bay ON	Hamilton ON			
LIDLAW CARRIERS TANK LP	Beloil PQ	Bowmanville ON	Woodstock ON	Stratford ON	
LIDLAW CARRIERS VAN LP	Calgary AB		Cardinal ON	Guelph ON	
TRI-LINE CARRIERS LP	Edmonton AB		Sudbury ON	North Bay ON	
TRI-LINE FREIGHT SYSTEMS LP	Winnipeg MB			Waterford ON	
	Calgary AB				
	Regina SK			Winnipeg MB	

Properties

The following table sets forth Contrans' principal properties for its freight transportation services, all of which are owned by Contrans and unencumbered. All principal properties are terminal locations, other than Contrans' corporate office which is located in Woodstock, Ontario.

<u>Location</u>	<u>Approximate Acreage</u>	<u>Buildings in Square Feet</u>
Edmonton, Alberta	5.9	(1)
Guelph, Ontario.....	8.8	25,000
Hagersville, Ontario	25.3	86,940
London, Ontario	21.1	50,800
Mississauga, Ontario.....	4.2	6,200
North Bay, Ontario.....	22.5	6,500
Woodstock, Ontario (corporate office)	9.0	14,000
Woodstock, Ontario (2 terminals).....	17.6	31,200
Perth, Ontario (2 terminals)	18.4	21,300
St. Mathieu-de-Beloeil, Québec (2 terminals)	13.7	21,100
Bedford, Québec	8.0	6,700
Saint John, New Brunswick	20.0	28,200
Woodstock, New Brunswick.....	10.0	4,200
Truro, Nova Scotia.....	5.0	9,000
Regina, Saskatchewan.....	6.0	11,400
Highgate, Vermont.....	9.0	800

(1) Contrans plans to build a terminal facility during 2006 to consolidate its operations in this area.

Contrans also leases properties to conduct its freight transportation operations.

Equipment

As at December 31, 2005, Contrans owned or leased 611 power units and has access to an additional 802 power units under contract with owner-operators. As at December 31, 2005, Contrans owned or leased 2,158 trailers (the majority of which are owned by Contrans), which include 1,006 van, 491 flatbed, 272 dump, and 389 tank trailers. The average fleet age approximates two years for power units and five years for trailers. Management of Contrans believes that power units have an approximate life of up to eight years but do not generally retain them for more than four years. Trailers have an approximate life of ten to fifteen years.

Contrans is committed to the use of owner-operators as they allow Contrans to offer its customers equipment availability without requiring Contrans to commit capital to acquiring power units and hiring employee drivers. The use of owner-operators also allows Contrans to increase or decrease its complement of power units quickly in response to changes in economic conditions. The owner-operators purchase and maintain their own power units and drive for Contrans under contract.

Competition

The freight transportation industry is fragmented and consists of relatively few large companies and many small companies serving target markets. The target markets are defined by geographical location, point-to-point service location, target customer industries and the type of service provided, such as van, flatbed, tank, and bulk. The smaller operators typically operate in a highly specialized yet competitive environment in which the customer may have several substitutes available. Many of the large carriers are independent subsidiaries of larger transportation companies and offer a wide variety of freight services on a national basis.

Carriers compete primarily on price and ability to provide a reliable, efficient and safe transportation service. Contrans has grown steadily and believes that its operational systems, safety standards and policies, equipment strategies, dedication to service and meeting of customers' specialized needs are the primary reasons for its ability to compete with both small and large carriers from both Canada and the United States.

Customer Diversification

Contrans has a diverse customer base consisting of approximately 6,000 customers and, accordingly, would be well positioned to withstand a downturn in the activities of individual customers or a specific industry in which customers operate. Contrans' ten largest customers accounted for approximately 30% of total revenue of the Fund for the year ended December 31, 2005, with no single customer accounting for greater than 10% of total revenue.

Contrans' customers include Lafarge Canada Inc., Abitibi-Consolidated Inc., Falconbridge Limited, Alcan Inc., Domtar Inc., UPM-Kymmene Miramichi Inc., CGC Inc., Casco Inc., Waste Management and Georgia Pacific Canada Inc.

Employees

As at December 31, 2005, Contrans had 1,080 full-time employees including 561 drivers, 313 operations personnel and 206 administrative personnel. As at December 31, 2005, Contrans contributed to group life insurance, hospital and benefits for substantially all employees. Contrans has no unionized employees.

Drivers

Contrans transports freight using both its own equipment and drivers and the services of independent contractors who own and operate their own power units and are under contract with Contrans. While under contract with Contrans, an independent contractor must work exclusively for Contrans, however, the contract may be terminated by either party at any time. The use of independent contractors helps to minimize Contrans' overall operating costs and capital requirements by reducing labour costs and capital expenses for new equipment and maintenance. As at December 31, 2005, Contrans employed 561 drivers and utilized the services of 802 owner-operators.

Most of the drivers employed by Contrans are compensated on an hourly and/or mileage basis in accordance with applicable contractor agreements. Independent contractors pay the costs relating to the acquisition, maintenance and operation of their equipment. Contrans makes its maintenance facilities available to the independent contractors at competitive prices.

All drivers for Contrans, including independent contractors, are selected in accordance with its guidelines relating primarily to safety records and driving experience.

Driver Training

The recruiting, hiring and retention of employee drivers and owner-operators is critical to the success of Contrans. As a result, Contrans has instituted a program to ensure that all employee drivers and owner-operators are interviewed, screened, tested and trained by qualified Contrans staff. Driver applicants are required to attend a pre-screening interview, drug testing and road test, the results of which determine whether they meet Contrans' standards and the length of any additional "on the road" training. All new employee drivers and owner-operators are required to attend an orientation and training session which covers all documentation, safety and compliance and accident procedures.

Safety

Contrans is committed to ensuring the safety of its operations' employees. Contrans exercises care in the selection of drivers and in the implementation of high standards and ongoing training for employee drivers and owner-operators.

Insurance

Contrans carries a wide variety of insurance and surety coverage for its operations, including liability insurance for claims arising out of the use, ownership and operations of power units and trailers, broad form cargo insurance, commercial general liability insurance, environmental liability insurance arising out of normal operations and umbrella coverage responding to claims in excess of Contrans' primary insurance policies. Contrans also carries director and officer liability insurance. In order to protect against liability claims from Contrans' employees, Contrans is also covered under local worker compensation plans.

Fuel Costs

Volatility in the price of fuel over the past year has exerted serious cost pressure on the trucking industry. Contrans has been able to limit its exposure and the exposure of its owner-operators, to fluctuations in fuel prices, by implementing fuel surcharge programs with its customers.

Regulation

Contrans operates in the transportation industry within Canada and between Canada and the United States and is subject to the transportation laws and regulations of federal, provincial and state governments. Contrans is required to hold operating licences, permits and registrations issued by the governing jurisdictions in which it operates. It is also required to comply with the laws of each jurisdiction which governs the safety of vehicles and equipment and the manner in which they are operated.

Contrans holds all necessary licences, permits and registrations required by the governing jurisdictions in which it operates to conduct its transportation business. All jurisdictions in which Contrans operates monitor compliance with licensing and safety regulations, and may initiate disciplinary proceedings against non-compliant drivers or carriers resulting in the possible suspension or cancellation of licences or permits.

Environmental Matters

Contrans, its operations and properties are subject to extensive federal, provincial, state, municipal and local environmental laws and requirements in both Canada and the United States relating to, among other things, air emissions, the management of contaminants, including hazardous materials (including the generation, handling, storage, transportation and disposal of such contaminants), discharges and the remediation of environmental impacts (such as the contamination of soil and water, including groundwater). A risk of environmental liabilities is inherent in transportation operations, historic activities associated with such operations and the ownership, management or control of real estate.

The cargo transported by Contrans in its freight transportation operations can be classified as either non-regulated freight or regulated freight such as hazardous material or environmentally regulated waste. Contrans does not specialize in or carry significant volumes of regulated freight. Strict parameters must be met before Contrans and the individual drivers are permitted to carry regulated freight. These requirements involve specific insurance requirements, training programs and registration permits with the various provinces and states in which it operates. Contrans' drivers must pass written tests and demonstrate on a graduated scale that they meet the requirements to carry regulated freight. Shipping documents are reviewed on a regular basis to ensure that Contrans' drivers and operations staff are following the correct procedures.

Certain of Contrans' terminals provide full maintenance service and fuel facilities. Each terminal has a series of operational systems that have been implemented to control environmental impacts relating to the operation of that terminal. Each of the maintenance facilities has a waste generator registration certificate issued by the applicable ministry, which stipulates the manner in which Contrans must have its regulated waste materials removed. The fuel facilities are registered and licensed by provincial authorities. Each facility has a preventative maintenance program and is upgraded as required.

Contrans employs an individual whose primary responsibility is to monitor environmental legislation and standards and to advise management of Contrans with respect to its responsibilities in connection with its underground fuel storage tanks and the transportation of hazardous goods.

DESCRIPTION OF THE CAPITAL STRUCTURE

The beneficial interests in the Fund are divided into interests of three classes designated as Subordinate Voting Trust Units, Subordinate Voting Rights and Multiple Voting Rights which are entitled to the rights and subject to the limitations, restrictions and conditions set out in the Declaration of Trust.

The following is a summary of the material attributes and characteristics of the Subordinate Voting Trust Units and Special Voting Rights and certain provisions of the Declaration of Trust. The following summary does not purport to be complete and reference is made to the Declaration of Trust for a complete description of the Subordinate Voting Trust Units and Special Voting Rights and the full text of its provisions. The Declaration of Trust is available on SEDAR (www.sedar.com).

Subordinate Voting Trust Units

An unlimited number of Subordinate Voting Trust Units may be created and issued pursuant to the Declaration of Trust. Each Subordinate Voting Trust 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 any net assets of the Fund in the event of the termination or winding-up of the Fund.

All Subordinate Voting Trust Units have equal rights and privileges and are not subject to future calls for payment or assessments. Each Subordinate Voting Trust Unit is fully paid and non-assessable and entitles the holder thereof to one vote at all meetings of Unitholders for each Subordinate Voting Trust Unit held. Except as set out under "Redemption Right" and "Take-Over Bids", below, the Subordinate Voting Trust Units have no conversion, retraction, redemption or pre-emptive rights.

Special Voting Rights

An unlimited number of Subordinate Voting Rights and a limited number of Multiple Voting Rights (being limited to that number of Multiple Voting Rights issued under the Plan of Arrangement) may be created and issued pursuant to the Declaration of Trust. Holders of Subordinate Voting Rights and Multiple Voting Rights are not entitled as such to any distributions from the Fund or any net assets of the Fund.

Each Subordinate Voting Right entitles the holder thereof to a number of votes at meetings of Unitholders equal to the Subordinate Voting Trust Units into which the securities to which such Subordinate Voting Rights relate are indirectly exchangeable. Subordinate Voting Rights have been issued to holders of Class A LP Units on the basis of one Subordinate Voting Right for each Class A LP Unit held and entitle the holders thereof to one vote at all meetings of Unitholders per Subordinate Voting Right. Multiple Voting Rights have been issued to holders of Class B LP Units on the basis of one Multiple Voting Right for each Class B LP Unit held and entitle the holders thereof to ten votes at all meetings of Unitholders per Multiple

Voting Right. Partnership Units are converted at the option of the Operating Trust into Subordinate Voting Trust Units in certain circumstances, including: (i) any transfer or assignment by the holder (with limited exceptions); (ii) any change of control of a holding company holding the Partnership Units (with limited exceptions); and (iii) on July 23, 2022. Upon such conversion, all Special Voting Rights attached to the Partnership Units, including any Multiple Voting Rights, will be cancelled and the holder will thereafter be entitled to one vote for each Subordinate Voting Trust Unit obtained upon conversion.

The Subordinate Voting Rights give the Fund the flexibility to directly or indirectly acquire the securities of another issuer in consideration for securities which are ultimately exchangeable for Subordinate Voting Trust Units, while giving the holders of such securities the ability to vote as holders of Subordinate Voting Trust Units. The Subordinate Voting Rights will be subject to such other rights and limitations as may be determined by the Trustees at the time of issuance of any such Subordinate Voting Rights provided that in no event will the holders of such securities be entitled to receive any distributions from the Fund. The Subordinate Voting Rights and Multiple Voting Rights issued to the holders of Partnership Units must be transferred with any transfer of the related Partnership Units, will be evidenced only by the certificates representing such Partnership Units and will be redeemed for nominal consideration and cancelled upon the exchange of Partnership Units for Subordinate Voting Trust Units.

Under the terms of the Exchange Agreement, Stanley G. Dunford and corporations controlled by him, as the holder of substantially all of the outstanding Class B LP Units and, accordingly, substantially all of the Multiple Voting Rights, will be required to exchange the Multiple Voting Rights attached to his Class B LP Units for Subordinate Voting Rights in the event that he and his spouse cease to beneficially own, directly or indirectly, such number of Subordinate Voting Trust Units and Partnership Units as represent at least 33% of the aggregate voting rights attached to all outstanding Subordinate Voting Trust Units and Special Voting Rights (and, in any event, on July 23, 2022, as described above). In addition, in the event that Mr. Dunford and/or his spouse ceases to control any holding company through which they hold Class B LP Units, the Multiple Voting Rights attached to the Class B LP Units held by such holding company are required to be exchanged for Subordinate Voting Rights.

Issuance of Subordinate Voting Trust Units

The Declaration of Trust provides that Subordinate Voting Trust Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine. Subordinate Voting Trust Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a pro rata basis and if so determined, by installment receipts.

Redemption Right

Subordinate Voting Trust Units are redeemable by the Fund at any time on demand by the holders thereof. Upon receipt of a written redemption notice by the Fund, together with any certificates representing the Subordinate Voting Trust Units to be redeemed and written instructions as to the number of Subordinate Voting Trust Units to be redeemed, all rights to and under the Subordinate Voting Trust Units tendered for redemption will be surrendered, and the holder thereof will be entitled to receive a price per Subordinate Voting Trust Unit (the “Redemption Price”) equal to the lesser of:

- (a) 90% of the “market price” of the Subordinate Voting Trust Units on the principal market on which the Subordinate Voting Trust Units are listed or quoted for trading during the five trading day period commencing immediately after the date on which the Subordinate Voting Trust Units were surrendered to the Fund for redemption (the “Redemption Date”); and
- (b) 100% of the “closing market price” of the Subordinate Voting Trust Units on the principal market on which the Subordinate Voting Trust Units are quoted for trading on the Redemption Date.

The specific mechanics of such redemptions are set out in detail in the Declaration of Trust which is available on SEDAR (www.sedar.com).

Unitholders will not be entitled to receive a cash payment for the Redemption Price upon the redemption of then Subordinate Voting Trust Units if:

- (a) the total amount payable by the Fund in respect of the Subordinate Voting Trust Units and all other Subordinate Voting Trust Units tendered for redemption prior thereto in the same calendar month exceeds \$250,000, or such higher amount as the Trustees may, in their sole discretion, permit in respect of any calendar month (such amount being the “Maximum Redemption Amount”). The Redemption Price for Subordinate Voting Trust Units tendered for redemption in any calendar month in excess of the Maximum Redemption Amount will be deemed withdrawn and re-submitted automatically for the next month unless the Unitholder specifically elects to receive a distribution *in specie* as set out below;
- (b) at the time the Subordinate Voting Trust Units are tendered for redemption, the outstanding Subordinate Voting Trust Units are not listed for trading on the TSX and are not traded or quoted on or through any other stock exchange or market which the Trustees consider, in their opinion, provides representative fair market value prices for the Subordinate Voting Trust Units; or
- (c) the normal trading of the outstanding Subordinate Voting Trust Units is suspended or halted on any stock exchange on which the Subordinate Voting Trust Units are listed for trading or, if not so listed, on any market through which the Subordinate Voting Trust Units are quoted for trading, on the date that such Subordinate Voting Trust Units were tendered to the Fund for redemption or for more than five trading days during the ten trading-day period immediately prior to the date on which such Subordinate Voting Trust Units were tendered to the Fund for redemption.

With respect to Subordinate Voting Trust Units which are not redeemable for cash payment as a result of the foregoing limitations, the Redemption Price for such Subordinate Voting Trust Units shall, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie* of Operating Trust Notes (each Operating Trust Note in the principal amount of \$100) after taking into account all liabilities of the Fund. No Operating Trust Notes in integral multiples of less than \$100 will be distributed and, where the number of Operating Trust Notes to be received by a Unitholder includes a multiple less than \$100, such number shall be rounded to the next lowest whole integral of \$100. The Fund shall be entitled to all interest paid on the Operating Trust Notes on or before the date of the distribution *in specie*. Where the Fund makes a distribution *in specie* of Operating Trust Notes and other assets on the redemption of Subordinate Voting Trust Units of a Unitholder, the Fund may, in its sole discretion, and currently intends to, treat portions of the amount of the fair market value of such securities (i) not exceeding the amount of any capital gains of the Fund as a result of the distribution of such property as an amount payable out of the net realized capital gains of the Fund; and (ii) not exceeding the amount of accrued interest on Operating Trust Notes distributed on such redemption, as an amount payable out of the income of the Fund.

DISTRIBUTION POLICY

The Fund makes distributions of its available cash to Unitholders. The Fund makes monthly cash distributions of all amounts received by the Fund from the Operating Trust in each month, less: estimated amounts required for the payment of costs and expenses; amounts which have become payable in cash by the Fund relating to redemptions of Subordinate Voting Trust Units; any additional amounts determined by the Trustees to be required by the Fund as reserves for capital expenditures; and all amounts which relate to the repayment of the principal amount of any indebtedness of the Fund. Cash distributions are payable monthly to Unitholders of record on the last Business Day of each month and are paid on or about the 15th day of the

following month. In respect of the period from July 23, 2002 (the date of the Fund's initial public offering) to August 31, 2002, the Fund distributed \$0.1042 per Subordinate Voting Trust Unit to the Unitholders and has made distributions in such per unit amount on the Subordinate Voting Trust Units in respect of each calendar month thereafter. The Trustees of the Fund approved the payment of a special distribution of \$0.23 per unit, paid January 16, 2006 to unitholders of record as of December 31, 2005 to offset the unitholders' potential income tax consequences arising from the disposal of the school bus business.

MARKET FOR SECURITIES

The Subordinate Voting Trust Units are listed on the TSX under the symbol "CSS.UN". The following table sets forth information relating to the trading of the Subordinate Voting Trust Units on the TSX for the months indicated.

Month	High (Cdn\$)	Low (Cdn\$)	Volume
January 2005	15.20	13.86	1,200,398
February 2005	15.57	14.40	2,043,551
March 2005	17.00	14.40	2,673,277
April 2005	16.85	15.10	659,129
May 2005	16.30	13.76	937,349
June 2005	15.35	14.26	1,550,836
July 2005	15.90	13.09	2,145,260
August 2005	15.49	13.51	1,242,875
September 2005	14.99	13.15	1,687,249
October 2005	13.95	11.19	674,743
November 2005	14.65	11.01	973,514
December 2005	14.69	13.00	506,546

MANAGEMENT

Trustees of the Fund

The following table sets forth the name, province and country of residence of the current Trustees, together with their principal occupations. Trustees are elected at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting of Unitholders.

<u>Name and Province/State and Country of Residence</u>	<u>Trustee Since</u>	<u>Principal Occupation</u>
Stanley George Dunford Ontario, Canada	2002	Chairman of the Board and Chief Executive Officer of Contrans
Gregory W. Rumble Ontario, Canada	2002	President and Chief Operating Officer of Contrans
Robert Burnside Burgess ⁽¹⁾⁽²⁾⁽³⁾ Ontario, Canada	2002	Barrister and Solicitor
Archie Murray Leach ⁽¹⁾⁽²⁾⁽³⁾ Ontario, Canada	2002	President and Chief Executive Officer of Carroll Hospital Group, a manufacturer of healthcare products
G. Ross Amos ⁽¹⁾⁽²⁾⁽³⁾ Ontario, Canada	2002	President of Everest Canadian Property Company, a real estate investment bank

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Corporate Governance Committee

Each of the foregoing individuals has been principally engaged in the occupation set out opposite his name for the preceding five years.

Directors and Executive Officers of Contrans

The following table sets forth the name, province and country of residence of each of the directors and executive officers of Contrans, together with their principal occupations. The directors of Contrans are elected at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting of Unitholders.

<u>Name and Province/State and Country of Residence</u>	<u>Position with Contrans</u>	<u>Principal Occupation</u>
Stanley George Dunford Ontario, Canada	Chairman of the Board and Chief Executive Officer Director since 1988	Chairman of the Board and Chief Executive Officer of Contrans
Gregory W. Rumble, C.A. Ontario, Canada	President and Chief Operating Officer Director since 1991	President and Chief Operating Officer of Contrans
Robert Burnside Burgess, Q.C. Ontario, Canada	Director since 1984	Barrister and Solicitor
P. Anthony Ennis Ontario, Canada	Director since 2001	President of Round Oak Management Ltd., a management consulting company
Archie Murray Leach, C.A. Ontario, Canada	Director since 1992	President and Chief Executive Officer of Carroll Hospital Group, a manufacturer of healthcare products
James S. Clark, C.A. Ontario, Canada	Chief Financial Officer and Vice President, Finance	Chief Financial Officer and Vice President, Finance of Contrans
D. Jamieson Miller Ontario, Canada	Secretary-Treasurer	Secretary-Treasurer of Contrans
W. Todd Jenereaux, C.A. Ontario, Canada	Vice President, Corporate Development	Vice President Corporate Development of Contrans

As at March 1, 2006, the Trustees of the Fund and the directors and executive officers of Contrans, as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 1,322,892, (6%) Subordinate Voting Trust Units, 3,702,550, (77%) Subordinate Voting Rights and 1,467,724, (100%) Multiple Voting Rights.

Conflicts of Interest

To the best of the Fund's knowledge, and other than as disclosed in this annual information form, there are no known existing or potential conflicts of interest between the Fund or any of its subsidiaries and any Trustee of the Fund or any director or officer of Contrans, except that certain of the Trustees of the Fund and directors and officers of Contrans serve as directors and officers of other public companies and therefore it is possible that a conflict may arise between their duties as a Trustee of the Fund or a director or officer of Contrans and their duties as a director or officer of such other companies.

The Trustees of the Fund and the directors and officers of Contrans are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Fund will rely upon such laws in respect of any Trustees', directors' or officers' conflicts of interest or in respect of any breaches of duty by any of the Trustees of the Fund or the directors or officers of Contrans.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

The Audit Committee is appointed by the Board of Trustees to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Oversee the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- Identify and monitor the management of the principal risks that could impact the financial reporting of Contrans Income Fund (the "Fund").
- Monitor the integrity of the Fund's financial reporting process and system of internal controls regarding financial reporting and accounting compliance.
- Monitor the independence and performance of the Fund's external auditors.
- Provide an avenue of communication among the external auditors, management and the Board of Trustees.

The Audit Committee Mandate is attached hereto as Schedule "A".

Composition of Audit Committee

The members of the Audit Committee are Robert B. Burgess, Archie M. Leach and G. Ross Amos. Each of Messrs. Burgess, Leach and Amos are independent and financially literate within the meaning of Multilateral Instrument 52-110.

Relevant Education and Expertise

The following section lists the education and experience of each Audit Committee member that is relevant to his responsibilities as a member of the Audit Committee.

Robert B. Burgess, Q.C. – Mr. Burgess has been practicing law as a sole practitioner for more than 10 years, prior to which time he was a partner with a law firm in Toronto. Mr. Burgess holds a Bachelor of Commerce from McGill University and an L.L.B. from Osgoode Hall Law School. He received the designation of Queens Counsel in 1981. Mr. Burgess had a concentration in accounting at McGill University; worked several months with a predecessor of KPMG prior to graduating from Osgoode Hall; has extensive corporate and transportation law practice with an emphasis on corporate acquisitions; and has daily experience as a private investor in publicly traded securities.

Archie M. Leach, C.A. - Mr. Leach has over 25 years of accounting experience and has been a qualified Chartered Accountant since 1979. Mr. Leach is currently the President and Chief Executive Officer of Carroll Hospital Group, a manufacturer of long-term health care products. Prior to moving into executive positions with various companies, Mr. Leach spent approximately 13 years working as an accountant, including acting as Managing Partner of Deloitte & Touche LLP, London, Ontario for approximately 10 years and working as a partner with the accounting firm of Atkinson, Innes, Leach & Neill for three years prior thereto. Mr. Leach holds an honours degree in Business Administration from the Ivey School of Business at the University of Western Ontario.

G. Ross Amos, M.B.A., C.G.A., ICD.D – Mr. Amos has over 30 years of finance and accounting experience. Mr. Amos is currently President of a private investment firm. His experience includes a period as President of a group of hotels and Chief Financial Officer of two companies listed on the Toronto Stock Exchange. In each of these positions, he was responsible for all finance, treasury and accounting functions. His experience also includes the responsibility for the analysis and structuring of equity and debt investments to a wide variety of industries. Mr. Amos holds an honours degree in Business Administration from the Ivey

School of Business, University of Western Ontario, a Masters in Business Administration from The Schulich School of Business, York University, and a certificate in Corporate Governance, from Rotman School of Business, University of Toronto.

Pre-Approval Policies and Procedures

The Fund has in place a policy (the “Policy”) on the scope of services for the auditors of the Fund. The Policy covers all work that might be performed by the auditors of the Fund through engagements with the Fund or its subsidiaries. The Chief Financial Officer of Contrans is accountable for the management of the Policy and providing interpretations on its application.

The Fund and its subsidiaries will not engage its auditors to carry out certain services deemed by the Policy to be inconsistent with an auditor’s independence, including: bookkeeping or other services related to the Fund’s accounting records or financial statements; financial information systems design and implementation; appraisal or valuation services for financial reporting purposes; actuarial services for items recorded in financial statements; internal audit outsourcing services; management functions; human resources; certain corporate finance and other services; legal services; and certain expert services unrelated to the audit.

For permitted services, the following pre-approval policies will apply. In the case of audit services, the Audit Committee will pre-approve all audit services provided by the auditor through their recommendation of the auditor at the annual meeting of the Fund and through the Audit Committee’s review of the auditor’s annual audit plan. On at least an annual basis, the Audit Committee will update the list of permitted services, together with a listing of pre- approved services and pre-approved services that are recurring or otherwise reasonably expected to be provided. The Audit Committee will be subsequently informed quarterly of the permitted services for which the auditor has been actually engaged.

Any additional requests for pre-approval will be addressed on a case-by-case specific engagement basis. The employee making the request will submit the request for service to the Chief Financial Officer of Contrans with a description of the service, the estimated fee, a statement that the service is not a prohibited service and the reason the auditor is being engaged. Where the aggregate fees are estimated to be less than \$50,000, recommendations in respect of each engagement will be submitted by the Chief Financial Officer to the Chair of the Audit Committee for consideration and approval. The full Audit Committee will subsequently be informed of the service at its next meeting. The engagement may commence upon approval of the Chair of the Audit Committee. Where the aggregate fees are estimated to be greater than \$50,000, recommendations in respect of each engagement, will be submitted by the Chief Financial officer to the full Audit Committee for consideration and approval generally at its next meeting or at a special meeting called for the purpose of approving such services. The engagement may commence upon approval of the full Audit Committee.

On a quarterly basis, the Chief Financial Officer will prepare and present to the Audit Committee a summary report of all the engagements of the auditor that are currently underway or have been completed since the last report. The report will describe the nature of each engagement, confirm that each engagement is in compliance with the Policy and state the fees received by the auditor for each engagement. On an annual basis, the auditor will certify to the Audit Committee that all engagements with the Fund have been in compliance with the Policy and will confirm that the auditor continues to be “independent” under applicable laws, rules and guidelines.

The Chief Financial Officer of Contrans will be the signatory on all contracts of engagement with the auditor.

External Fees by Audit Category

The following table lists the fees paid to KPMG LLP by category, for the last two fiscal years.

	2005	2004
Audit Fees	\$158,721	\$167,221
Audit-Related Fees	—	Nil
Tax-Related Fees	\$282,930	\$321,798
All Other Fees	—	\$35,300
Total Fees	<u>\$441,651</u>	<u>\$524,319</u>

Audit Fees

“**Audit Fees**” includes the aggregate fees paid to the auditors for the audit of the consolidated annual financial statements, quarterly reviews of the interim financial statements, and other statutory and regulatory filings, including procedures performed in connection with the filing by the Fund of a short-form prospectus.

Tax Fees

“**Tax Fees**” includes the aggregate fees paid to the auditors for tax compliance, including the preparation of U.S. and Canadian tax returns, tax planning and tax advice, including advice relating to potential asset and business acquisitions and other strategic transactions.

All Other Fees

“**All Other Fees**” includes the aggregate of all other professional fees billed other than the audit fees and tax fees described above, particularly preparatory advice in connection with CEO/CFO certification requirements and general advice in respect of management incentive structures, purchase price allocations and testing the impairment of goodwill.

LEGAL PROCEEDINGS

Contrans is currently involved in legal proceedings, the outcome of which could have an adverse impact on the financial results of the Fund.

In September 1994, two actions were filed by separate groups of former employees under the Ontario class proceedings legislation against Laidlaw Carriers Inc. (“Laidlaw”). Laidlaw had been a wholly-owned subsidiary of Contrans Corp., and, upon the amalgamations that took place on July 23, 2002, the potential liability surrounding these actions was assumed by Contrans. These actions involved the valuation of the employees’ benefit plan in 1988. If the claims of any of the approximately 30 former employees involved in this litigation ultimately prove successful, the damages to be awarded will represent the difference between what it is alleged that Laidlaw promised to pay and what it actually did pay to the former employees at the time of retirement. The claim was made in the amount of approximately \$1.5 million. If Contrans is not successful in defending the action, Contrans may be required to pay the claim amount, together with interest on the amounts awarded by the court from April 1988 to the date of the trial and legal costs. In reasons dated February 22, 2000, Mr. Justice Cumming granted the plaintiffs’ motion for certification as a single class proceeding under the continuing style in the Ontario Superior Court of Justice of *Schweyer v. Laidlaw Carriers Inc.* Leave

to appeal this motion was dismissed in 2001. The matter has gone to discoveries and a trial date is not anticipated for some time. Management is unable to determine the outcome of this lawsuit at this time.

See also "Risk Factors – Litigation," below.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, since January 1, 2002, no Trustee or 10% shareholder of the Fund and no director, executive officer or 10% shareholder of the Contrans or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Company 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, directly owns a majority interest in Peterbilt of Ontario Inc. The expenditures were \$3.2 million for the year ended December 31, 2005 and \$3.6 million and \$2.2 million for the comparable periods in 2004 and 2003.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Subordinate Voting Trust Units is Computershare Trust Company of Canada at its principal office at 100 University Avenue, 9th Floor, Toronto, Ontario.

MATERIAL CONTRACTS

The only contracts, other than contracts entered into in the ordinary course of business that are material to the Fund and were entered into in the financial year ended December 31, 2005, or in prior years that are still in effect are as follows:

- (a) the Administration Agreement between Contrans and the Fund dated April 16, 2002 pursuant to which Contrans agreed to provide certain administrative and support services to the Fund;
- (b) the Declaration of Trust dated as of April 16, 2002, as amended as of April 11, 2003, pursuant to which the Fund was created;
- (c) the COT Declaration of Trust dated as of April 16, 2002 pursuant to which the Operating Trust was created;
- (d) the Arrangement Agreement dated May 21, 2002, as amended July 10, 2002, among Pre-Amalgamated Contrans, Newco, the Operating Trust and the Fund, pursuant to which the Plan of Arrangement was implemented; and
- (e) the Underwriting Agreement dated July 12, 2002 in connection with the Fund's initial public offering between the Fund and RBC Dominion Securities Inc., TD Securities Inc., National Bank Financial Inc., Standard Securities Capital Corporation and Haywood Securities Inc.

- (f) the Underwriting Agreement dated February 10, 2004 in connection with the Fund's offering between the Fund and RBC Dominion Securities Inc., Sprott Securities Inc., TD Securities Inc., Canaccord Capital Corporation and Lightyear Capital Inc.

The foregoing documents are filed on SEDAR at www.sedar.com. Copies of these agreements may also be examined at the head and principal office of the Fund during normal business hours.

INTERESTS OF EXPERTS

The Fund's auditors are KPMG LLP. The Fund's consolidated annual financial statements for the year ended December 31, 2005 have been filed under National Instrument 51-102 in reliance on the report of KPMG LLP, independent chartered accountants, given on their authority as experts in auditing and accounting. As at March 27, 2006, KPMG LLP and its partners did not hold any registered or beneficial ownership interests, directly or indirectly, in the securities of the Fund or its associates or affiliates.

RISK FACTORS

Risks Related to the Business and the Industry

Economic Conditions

The price of fuel, insurance costs, interest rates, the availability of qualified drivers, fluctuations in customers' business cycles and national and regional economic conditions are economic factors over which Contrans has little or no control. Significant increases in fuel prices, interest rates or increases in insurance costs, to the extent not offset by increases in freight rates, or disruptions in fuel supply, would reduce profitability (and therefore reduce income flowing to the Fund) and could adversely affect its ability to service its debts or maintain distributions. Difficulty in attracting and retaining qualified drivers could also have a material adverse effect on the profitability of Contrans or Contrans' ability to service its debts. There is no assurance that the operations of Contrans will continue to be profitable.

Competition

Although Contrans is one of Canada's major freight services organizations, Contrans competes with competitors that are significant and have greater financial and marketing resources than Contrans. There can be no assurance that Contrans will be able to compete successfully against its current or future competitors or that competition will not reflect on Contrans' results of operations and financial condition.

Contrans faces intense competition for freight transportation in Canada and the U.S., including competition from other trucking companies and railways.

Dependence on Key Personnel and Owner-Operators

Contrans is heavily dependent on certain management personnel for the successful operation of its business, particularly Stanley G. Dunford, the Chairman of the Board and Chief Executive Officer of Contrans and Gregory W. Rumble, the President and Chief Operating Officer of Contrans. Furthermore, the success of Contrans is dependent upon its ability to recruit and retain key employees and owner-operators. Industry organizations have noted a growing shortage of drivers and owner operators in recent years.

Exchange Rate and Currency Risks

Contrans prepares its financial statements in Canadian dollars. As certain of the Operating Entities' revenues are incurred in U.S. dollars, Contrans is exposed to exchange rate and currency risks. In preparing its financial statements, Contrans must convert all non-Canadian dollar profits to Canadian dollars at varying rates of exchange. This may ultimately result in a currency gain or loss at the end of each fiscal year, the outcome of which cannot be predicted. Furthermore, as the Operating Entities provide services to U.S. customers, but incur most of their expenses in Canadian dollars, a stronger Canadian dollar would increase the Operating Entities' costs of providing services relative to the costs of U.S. competitors, thereby resulting in increased competition from U.S. freight companies.

No Assurance about Growth Strategy

Contrans may not be able to carry out its strategy of acquisition of other transportation companies, a strategy which depends in part on the availability of suitable candidates. In addition, Contrans may face competition for the acquisition of attractive carriers from other consolidators in the transportation industry who may be larger or better financed than Contrans. Furthermore, there can be no assurance that Contrans will be able to successfully integrate the operations of an acquired company into Contrans' operations on an accretive basis.

Regulation

Notwithstanding the fact that the transportation industry is largely deregulated in the area of operating authorities, each carrier must obtain a license issued by each provincial transport board in order to carry goods extra-provincially or to transport goods within any province. Licensing from U.S. regulatory authorities is also required for the transportation of goods between Canada and the U.S. Any change in these regulations could impact on the scope of Contrans' activities. Although Contrans is committed to a continuous improvement program in respect of its safety record in compliance with the Ministry of Transportation's policies and guidelines, there is no assurance that Contrans will be in full compliance at all times with such policies and guidelines. As a result, Contrans could be required, at some future date, to incur significant costs in order to maintain or improve its compliance record.

Environmental Matters

Contrans uses storage tanks at certain of its terminals. Canadian and United States laws generally impose potential liability on the present or former owners or occupants of properties on which contamination has occurred. Although management is not aware of any contamination which, if remediation or clean-up were required, would have a material adverse effect on Contrans, there can be no assurance that Contrans will not be required, at some future date, to incur significant costs to comply with environmental laws, nor that its operations, business or assets will not be materially affected by current or future environmental laws.

Contrans, its operations and properties are subject to extensive federal, provincial, state, municipal and local environmental laws and requirements in both Canada and the United States relating to, among other things, air emissions, the management of contaminants including hazardous materials (including the generation, handling, storage, transportation and disposal of such contaminants), discharges and the remediation of environmental impacts (such as the contamination of soil and water, including ground water). A risk of environmental liabilities is inherent in transportation operations, historic activities associated with such operations and the ownership, management or control of real estate.

Insurance

Contrans' operations are subject to risks normally inherent in the transportation industry, including potential liability which could result from, among other circumstances, personal injury or property damage

arising from accidents or incidents involving trucks operated by Contrans. Among these risks is a potential crisis in the primary or reinsurance markets causing a lack of availability of insurance at a reasonable price or sufficient limits for operations. The availability of, and ability to collect on, insurance coverage is subject to factors beyond the control of Contrans. In addition, Contrans may become subject to liability for hazards which it cannot or may not elect to insure because of high premium costs or other reasons or for occurrences which exceed maximum coverage under its policies.

Litigation

Contrans is currently involved in certain legal proceedings, the outcome of which could have an adverse impact on Contrans' financial results. In September 1994, two actions were filed by separate groups of former employees under the Ontario class proceedings legislation against Laidlaw Carriers Inc., a predecessor to Contrans, and against an Ontario loan and trust company. These actions involved the valuation of the employees' benefit plan in 1988. If the claims of any of the approximately 30 former employees involved in this litigation ultimately prove successful, the damages to be awarded will represent the difference between what is alleged that Laidlaw Carriers Inc. promised to pay and what it actually did pay to the former employees at the time of retirement. The claim was made in the amount of approximately \$1.5 million. If Contrans is not successful in defending the action, Contrans may be required to pay the claim amount, together with interest on the amounts awarded by the court from April 1988 to the date of trial and legal costs. In reasons dated February 22, 2000, Mr. Justice Cumming of the Ontario Superior Court of Justice granted the plaintiffs' motion for certification as a single class proceeding under the continuing style of Schweyer vs. Laidlaw Carriers Inc. The matter has gone to discoveries and a trial date is not anticipated for some time. Management is therefore unable to determine the outcome of these proceedings at this time.

Changes in Legislation

Legislation with respect to hours of service for truck drivers is to be introduced in Canada with effect from January 1, 2007. Generally, under the proposed legislation, drivers are restricted to on-duty time of 14 hours, a maximum 13 of which may be driving hours. Non-driving time spent, such as loading product or crossing borders, is included as on-duty time. These changes may result in a reduction in productivity of some drivers. Management believes that this potential loss in productivity can be mitigated by charging customers for inefficiencies such as undue delays in loading, unloading and waiting time.

Risks Related to the Structure of the Fund

Dependence upon Contrans

The Fund is an unincorporated open-ended, limited purpose trust which will be entirely dependent upon the operations and assets of the Operating Entities through the Fund's ownership of the Operating Trust Units and the Operating Trust Notes. Accordingly, the Fund's ability to make cash distributions to the Unitholders will be dependent upon the ability of the Operating Trust to pay its interest obligations under the Operating Trust Notes and to declare any distributions or other return of capital in respect of the Operating Trust Units which ability is, in turn, dependent upon the operations and assets of Contrans, the Partnership and the Operating Entities. There can be no assurance regarding the amounts of income to be generated by the Operating Entities and therefore funds available to the Fund.

Capital Investment

The timing and amount of capital expenditures will directly affect the amount of income available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when significant capital or other expenditures are made.

Nature of Subordinate Voting Trust Units

Securities like the Subordinate Voting Trust Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Subordinate Voting Trust Units do not represent a direct investment in Contrans and should not be viewed as shares in Contrans. As holders of Subordinate Voting Trust 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 or the right to dissent and appraisal. The Subordinate Voting Trust Units represent a fractional interest in the Fund. The Fund's primary assets will be the Operating Trust Units and the Operating Trust Notes. The price per Subordinate Voting Trust Unit is a function of anticipated Distributable Cash and other market factors.

Distribution of Securities on Redemption or Termination of the Fund

It is not anticipated that the redemption of the Subordinate Voting Trust Units will be the primary mechanism for Unitholders to liquidate their investments. Upon a redemption of Subordinate Voting Trust Units or termination of the Fund or the Fund and the Operating Trust, Operating Trust Units, Operating Trust Notes, Class C LP Units and/or Partnership Notes, as applicable, distributed to Unitholders may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time, may be subject to resale restrictions under applicable securities laws, may not be listed on any stock exchange and there may be no market for such securities.

Additional Dilution of Existing Unitholders' Interests

The Declaration of Trust authorizes the Fund to issue an unlimited number of Subordinate Voting Trust Units and, under the limited partnership agreement governing the Partnership, the general partner is authorized to issue an unlimited number of Class A LP Units. Such securities may be issued on terms and conditions established by the Trustees or the general partner, as applicable, without the approval of Unitholders or holders of Partnership Units. Additional issuances of such securities will result in dilution of the interests of Unitholders.

Restrictions on Potential Growth

The payout by the Operating Entities of substantially all of their operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of the Operating Entities and their cash flow.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Subordinate Voting Trust Units. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations relating to the Fund would be materially and adversely different in certain respects.

Further, interest on the Operating Trust Notes accrues at the Fund level for income tax purposes whether or not actually paid. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to eliminate the Fund's taxable income. Where interest on the Operating Trust Notes has accrued but has not been paid in whole or in part and the Fund is unable to make a cash distribution, the Declaration of Trust provides that additional Subordinate Voting Trust Units must be distributed to Unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market value of those Subordinate Voting Trust Units in their taxable income, in circumstances when they do not directly receive a cash distribution.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-resident persons of Canada unless all or substantially all of its property is property other than “taxable Canadian property” as defined in the Income Tax Act. The Fund has adopted mechanisms to ensure that the Fund is not maintained primarily for the benefit of non-resident persons.

Limitations on Non-Resident Ownership

The Declaration of Trust provides that at no time may Non-Residents be the beneficial owners of that number of Subordinate Voting Trust Units and Special Voting Rights entitling the holders to more than 49% of the votes attached to all outstanding Subordinate Voting Trust Units and Special Voting Rights. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Subordinate Voting Trust Units and Special Voting Rights are resident. The limitation on ownership of Subordinate Voting Trust Units and Special Voting Rights may have an adverse impact on the liquidity of the Subordinate Voting Trust Units and Special Voting Rights. In addition, the sale by Non-Residents of a significant number of Subordinate Voting Trust Units and Special Voting Rights at the demand of the Trustees may have an adverse effect on the market price of the Subordinate Voting Trust Units and Special Voting Rights. Management regularly monitors the level of non-resident ownership of Subordinate Voting Trust Units and Special Voting Rights.

Investment Eligibility

The Fund will endeavor to ensure that the Units continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans (collectively, “Plans”). No assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

Securities or other property received as a result of redemption of Units may not be a qualified investment for a Plan which could give rise to adverse consequences to a Plan or the annuitant under the Plan.

The 2004 Budget Proposals proposed to restrict direct and indirect holdings in certain “business income trusts” as defined in the 2004 Budget Proposals by certain tax-exempt entities (other than Plans). The 2004 Budget Proposals were originally scheduled to apply commencing after 2004. The Fund has not determined whether it would constitute a “business income trust” and whether its Units would constitute “restricted investment property” for the purposes of the 2004 Budget Proposals. On May 18, 2004, the Minister of Finance (Canada) announced that the application of the 2004 Budget Proposals was suspended to allow further consultation with representatives of the pension industry, the investment industry, provincial governments and other interested parties.

In the 2005 Budget Proposals, the Minister of Finance (Canada) announced that the Department of Finance would release a consultation paper on the tax issues related to business income trusts and other flow through entities. On September 8, 2005, the Department of Finance released a consultation paper and launched public consultations on tax and other issues related to publicly listed flow-through entities, including income funds. The focus of the paper was to, among other things, assess whether the tax system should be modified. In the consultation paper, the Department of Finance identified three possible policy responses to issues relating to flow-through entities: (i) limiting deductibility of interest expense by operating entities, (ii) taxing flow through entities in a manner similar to corporations, or (iii) making the tax system more neutral with respect to all forms of business organization by better integrating the personal and corporate tax system. The Department of Finance indicated that this was not an exhaustive list of the possible policy responses. On September 19, 2005, the Minister of Finance (Canada) announced, with the support of the Minister of National Revenue (Canada), that the CRA would postpone providing advance rulings respecting flow-through entity structures effective immediately, that the Department of Finance was closely monitoring developments in the flow-through entity market with a view to proposing measures in relation to the consultations and that consideration would be given to what, if any, transitional measures would be appropriate. On November 23, 2005, the Minister of Finance (Canada) announced that the public consultation process was ended and tabled in the

House of Commons a Notice of Ways and Means Motion to implement a reduction in personal income tax on dividends with a view to establishing a better balance between the treatment of large corporations and that of income trusts. No measures were announced with respect to the taxation of flow-through entities and their investors. No assurance may be given that further review of the tax treatment of flow-through entities will not be undertaken or that Canadian federal income tax law respecting flow-through entities will not be changed in a manner which adversely affects the Fund and the Unitholders.

Concentration of Ownership

A Trustee of the Fund and Contrans' Chairman of the Board and Chief Executive Officer, Stanley G. Dunford, beneficially owns, controls or directs approximately 42.2% of the votes of the Fund. As a result, Mr. Dunford has a significant influence over matters requiring the approval of the Unitholders.

ADDITIONAL INFORMATION

Additional information can be found on SEDAR at www.sedar.com.

Additional information, including the remuneration and indebtedness of trustees, directors and officers of the Fund and its subsidiaries, principal holders of the Fund's securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in the Fund's information circular dated March 27, 2006. Additional financial information is provided in the Fund's financial statements and MD&A for the year ended December 31, 2005.

GLOSSARY OF TERMS

“**2004 Budget Proposals**” means the amendments to the Tax Act proposed by the Minister of Finance (Canada) on March 23, 2004.

“**2005 Budget Proposals**” means the amendments to the Tax Act proposed by the Minister of Finance (Canada) on February 23, 2005.

“**Act**” means the *Business Corporations Act*, R.S.O. 1990, c.B.16, as amended, including the regulations promulgated thereunder.

“**Administration Agreement**” means the agreement between Contrans and the Fund dated April 16, 2002 pursuant to which Contrans agreed to provide certain administrative and support services to the Fund.

“**affiliate**” or “**associate**” when used to indicate a relationship with a person or company, has the same meaning as set forth in the Securities Act (Ontario) (but applied as if each relevant entity is a corporation).

“**Arrangement Agreement**” means the agreement dated May 21, 2002, as amended July 10, 2002, among Pre-Amalgamated Contrans, Newco, the Operating Trust and the Fund pursuant to which such parties implemented the Plan of Arrangement.

“**Board of Directors**” or “**Board**” means the board of directors of Contrans.

“**Business Day**” means any day other than a Saturday, Sunday or statutory holiday in the City of Toronto, Ontario.

“**Class A LP Units**” means Class A limited partnership units of the Partnership, which are exchangeable for Subordinate Voting Trust Units.

“**Class B LP Units**” means Class B limited partnership units of the Partnership, which are exchangeable for Subordinate Voting Trust Units.

“**Class C LP Units**” means Class C limited partnership units of the Partnership, all of which are held by Contrans or the Operating Trust.

“**Contrans**” means Contrans Corp. and, as the context requires its direct and indirect wholly-owned subsidiaries and interests in partnerships.

“**Contrans Shares**” means common shares in the capital of Contrans.

“**COT Declaration of Trust**” means the declaration of trust dated as of April 16, 2002 pursuant to which the Operating Trust was created.

“**Declaration of Trust**” means the declaration of trust dated as of April 16, 2002, as amended as of April 11, 2003, which created the Fund.

“**Distributable Cash**” means all amounts to be distributed to Unitholders in accordance with the Declaration of Trust during any applicable period.

“**Exchange Agreements**” means the exchange agreements entered into between the Operating Trust and the holders of Partnership Units pursuant to which, among other things, the Operating Trust granted the Exchange Right to each of the holders of Partnership Units and the holders of Partnership Units agreed to effect such exchange at the option of the Operating Trust in certain circumstances.

“**Exchange Right**” means the exchange right granted to the holders of Partnership Units to require the Operating Trust to exchange, and the right granted to the Operating Trust to require the exchange of, all or any part of the Partnership Units held by such holders for Subordinate Voting Trust Units on a one-for-one basis or, in certain circumstances, the automatic exchange of Multiple Voting Rights for Subordinate Voting Rights.

“**Fund**” means Contrans Income Fund, a trust established under the laws of Ontario pursuant to the Declaration of Trust.

“**Maximum Redemption Amount**”, in respect of a calendar month, means \$250,000 or such greater amount as the Trustees of the Fund, in their discretion, may permit, all as described under the heading “The Fund - Redemption Right”.

“**Multiple Voting Rights**” means the non-transferable Series B special voting rights in the Fund issued to the holders of Class B LP Units under the Plan of Arrangement, which are evidenced only by the Class B LP Unit

certificates to which such Multiple Voting Rights relate and which entitle the holders thereof to ten votes per Multiple Voting Right held.

“**Multiple Voting Shares**” means the Class B multiple voting shares in the capital of Pre-Amalgamated Contrans.

“**Newco**” means Contrans Holding Company Corp., a corporation incorporated under the Act, which was amalgamated with Pre-Amalgamated Contrans to form Contrans.

“**Non-Resident**” means a non-resident of Canada within the meaning of the Tax Act.

“**Operating Entities**” means the entities which, taken together, carry on Contrans' transportation business.

“**Operating Trust**” means Contrans Operating Trust, a trust established under the laws of Ontario pursuant to the COT Declaration of Trust and which is wholly-owned by the Fund.

“**Operating Trust Notes**” means the unsecured subordinated notes of the Operating Trust.

“**Operating Trust Units**” means trust units of the Operating Trust, each such unit representing an equal undivided beneficial interest therein.

“**Partnership**” means Contrans Holding Limited Partnership, a limited partnership formed under the laws of the Province of Ontario.

“**Partnership Notes**” means unsecured subordinated notes of the Partnership issued or to be issued, from time to time, by the Partnership.

“**Partnership Units**” means Class A LP Units and/or Class B LP Units, as the context so requires.

“**person**” means any individual, partnership, association, body corporate, trust, trustee, executor, administrator, legal representative, government, regulatory authority or other entity.

“**Plan of Arrangement**” means the plan of arrangement under Section 182 of the Act which involved, among other things, the indirect exchange of outstanding Pre-Amalgamation Contrans Shares for Subordinate Voting Trust Units and/or Partnership Units.

“**Pre-Amalgamated Contrans**” means Contrans Corp., the corporation which existed under the Act immediately prior to its amalgamation with Newco.

“**Pre-Amalgamation Contrans Shares**” means the Multiple Voting Shares and the Subordinate Voting Shares.

“**Redemption Price**” means the price at which Subordinate Voting Trust Units are to be redeemed.

“**Special Voting Rights**” means, together, the Subordinate Voting Rights and the Multiple Voting Rights.

“**Subordinate Voting Rights**” means the non-transferable Series A special voting rights in the Fund issued to the holders of Class A LP Units under the Plan of Arrangement, which are evidenced only by the Class A LP Unit certificates to which such Subordinate Voting Rights relate and which entitle the holders thereof to one vote per Subordinate Voting Right held.

“**Subordinate Voting Shares**” means the Class A subordinate voting shares in the capital of Pre-Amalgamated Contrans.

“**Subordinate Voting Trust Unit**” means a trust unit (other than a Special Voting Right) of the Fund, each such trust unit representing an equal undivided beneficial interest therein.

“**Tax Act**” means the Income Tax Act (Canada) and the regulations enacted thereunder.

“**Trustees**” means the trustees from time to time of the Fund or the Operating Trust, as the context requires.

“**Unitholders**” means the holders from time to time of the Subordinate Voting Trust Units.

Unless otherwise indicated in this annual information form, all references to “dollars” and “\$” are to Canadian dollars.

Schedule “A”

Audit Committee Mandate

Purpose

The Audit Committee is appointed by the Board of Trustees to assist the Board in fulfilling its oversight responsibilities. The Audit Committee’s primary duties and responsibilities are to:

- Oversee the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- Identify and monitor the management of the principal risks that could impact the financial reporting of Contrans Income Fund (the “Fund”).
- Monitor the integrity of the Fund’s financial reporting process and system of internal controls regarding financial reporting and accounting compliance.
- Monitor the independence and performance of the Fund’s external auditors.
- Provide an avenue of communication among the external auditors, management and the Board of Trustees.

Organization and Meetings

The Board shall elect annually from among its members a Committee to be known as the Audit Committee to be composed of three Trustees all of whom shall be independent¹ with no direct or material indirect relationship with the Fund or its management. Each member must be financially literate². Two members of the Audit Committee shall constitute a quorum.

The following are the primary responsibilities of the Chairman:

- Chairing all meetings of the Committee in a manner that promotes meaningful discussion.
- Ensuring adherence to the Committee’s Mandate and that the adequacy of the Committee’s Mandate is reviewed annually.
- Providing leadership to the Committee to enhance the Committee’s effectiveness.
- Managing the Committee, including:
 - ↳ Adopting procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;
 - ↳ Preparing the agenda of the Committee meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
 - ↳ Ensuring meetings are appropriate in terms of frequency, length and content; and
 - ↳ Obtaining and reviewing with the Committee an annual report from the independent auditors, and arranging meetings with the auditors and financial management of the Fund to review the scope of the proposed audit for the current year, its staffing and the audit procedures to be used.

¹ “Material relationship” is defined as one that could “in the view of the Fund’s Board of Trustees, reasonably interfere with the exercise of a member’s independent judgment”.

² “Financial literacy” is defined as “the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can be reasonably expected to be raised by the Fund’s financial statements”.

- Any member of the Audit Committee may be removed or replaced at any time by the Board and shall at any time cease to be a member of the Audit Committee upon ceasing to be a Trustee. Subject to the foregoing, each member of the Audit Committee shall hold office as such until the next Annual Meeting of the Unitholders after his or her election.
- The Audit Committee shall choose one of its own members to be its Chairperson and shall either choose one of its own members or an officer of Contrans Income Fund to act as Secretary at the meeting of the Audit Committee.
- The Audit Committee shall meet at least on a quarterly basis. The times of and the places where the meetings shall be held and the calling of and procedure at such meetings shall be determined from time to time by the Audit Committee; provided that notice of every such meeting shall be given to the auditors of Fund and that the meetings shall be convened whenever requested by the auditors or any member of the Committee. Regular meetings shall, whenever possible, be scheduled immediately prior to a Board of Trustees' meeting.
- A written agenda for each meeting shall be sent to each member and the auditors in advance of the meeting. Detailed minutes of each meeting summarizing issues discussed and actions recommended shall be prepared by the Secretary. All minutes shall be approved by a majority of the members.
- The Audit Committee shall report to the Board of Trustees regarding each of its meetings.

Responsibilities

Review Procedures

- The Audit Committee shall review and reassess the adequacy of this Mandate on a periodic basis when it considers such review to be worthwhile and submit the mandate to the Board of Trustees for approval.
- The Audit Committee shall review all financial statements, MD&A, earnings press releases and summaries prepared by the Fund which require approval by the Board of Trustees. This would include interim statements and related reports, year end audited statements and related reports, statements and related reports in prospectuses and other offering memoranda and statements and related financial reports required by regulatory authorities. Such review must be carried out prior to the Fund publicly disclosing the information.
- The Audit Committee should enquire of and discuss with management and the external auditors, all significant issues regarding accounting principles, practices and significant management estimates and judgments.
- The Audit Committee should, in consultation with management and the external auditors, consider the integrity of the Fund's financial reporting process and controls. Significant financial risk exposures should be discussed, along with the steps management has taken to monitor, control and report such exposures.
- The Audit Committee shall review and approve management's decision related to the need for internal auditing.
- The Audit Committee shall review any report of management which accompanies published financial statements or summaries for consistency of disclosure with financial statements or summaries themselves.
- The Audit Committee shall ensure that adequate procedures are in place for the review of the Fund's disclosure of financial information extracted or derived from the Fund's financial statements. A periodic assessment of the adequacy of the procedures should be performed.
- The Audit Committee shall review, with management, the external auditors and if necessary with legal counsel, litigation, claims or other contingencies, income or other tax assessments or reassessments, the findings of any examinations by regulatory agencies, insurance coverage, environmental compliance,

adherence to debt covenants, pension obligations, compliance with various other statutory and regulatory requirements and any other matters which in the opinion of management or the auditors could, from time to time, have a material effect upon the quarterly or annual financial position or operating results of the Fund.

- The Audit Committee shall review with management the CEO and CFO Certification of annual and interim disclosures.
- The Audit Committee should establish procedures for the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- The Audit Committee shall review and approve the Fund's hiring of partners, employees and former partners and employees of the present and former external auditors of the Fund.
- The Audit Committee shall review policies and practices concerning the discretionary expenditures of officers of the Fund. The Audit Committee may request a reporting, by individual officer, of such expenditures or a certification by such officers as to their adherence to the policies and practices.
- The Audit Committee shall review with management and the external auditors all related party transactions.
- Members of the Audit Committee shall have the right, for the purposes of performing their duties, to inspect all of the books and records of the Fund and of discussing such accounts and records and any matters relating to the financial position of the Fund with management and the external auditors of the Fund.
- The Audit Committee shall have the authority to (a) engage independent counsel and other advisors as it determines necessary to carry out its duties; (b) set and pay the compensation for any advisors employed by the Audit Committee; and (c) communicate directly with the internal and external auditors.
- The Audit Committee shall have the right and authority subject to the Board of Trustees approval to institute special investigations and, if appropriate, hire special counsel or experts to assist.
- The Audit Committee shall review with management the required disclosure in the Fund's AIF, which details information with respect to the audit committee's mandate, its composition, a description of the education and experience that relate to the responsibilities of each member, and the service fees paid to the external auditors.

External Auditors

The external auditors are ultimately accountable to the Audit Committee and the Board of Trustees, as representatives of the Unitholders. The Audit Committee shall review the independence and performance of the auditors annually.

The Audit Committee shall consider whether the external auditors should be re-appointed and recommend accordingly to the Board of Trustees. If a change in auditors is proposed, the Audit Committee shall enquire as to the reason for the change, including the response by the incumbent auditors. The Audit Committee should enquire as to the qualifications and independence of the newly proposed external auditors before making their recommendation to the Board of Trustees.

On an annual basis, the Audit Committee should review and discuss with the external auditors all significant relationships they have with the Fund that could impair the auditors' independence.

The Audit Committee shall review the audit plans of the external auditor, and should enquire as to the extent the planned audit scope can be relied upon to detect weakness in internal controls or fraud or other illegal acts.

The Audit Committee shall review the results of any audits performed by the Fund's external auditors and shall receive a report from the auditors which includes but is not limited to the reporting recommendations of the Canadian Institute of Chartered Accountants as required from time to time. The Audit Committee shall enquire of both the officers and the external auditors as to the existence of any differences of opinion.

The Audit Committee shall consider the external auditors' judgments about the quality and appropriateness of the Fund's accounting principles as applied in the Fund's financial reporting.

The Audit Committee shall review the basis and the amount of the external auditors' fees and recommend the compensation of the external auditor to the Board of Trustees.

Any member of the Audit Committee may require the external auditors to attend any or every meeting of the Audit Committee.

The Audit Committee shall review and recommend changes to the Board of Trustees, as required, to the Fund's Policy on the Scope of Services of the Auditor. The Audit Committee shall be responsible for the procedures as outlined in the policy.