

# 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") 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 14, 2008 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 the close of business on the second business day preceding the day of the Meeting (excluding Saturdays, Sundays and holidays) or any adjournments thereof.

Unless otherwise stated, the information contained in this management information circular is as of March 1, 2008.

### 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) or any adjournments thereof.**

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. 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, 2008, the following voting securities in the capital of the Fund were issued and outstanding:

Subordinate Voting Trust Units	22,538,324
Subordinate Voting Rights	4,810,127
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 14, 2008 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 persons or companies that beneficially owned, directly or indirectly, or exercised 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, 2008 were 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	886,519 (3.93%)	3,309,839 (68.81%)	1,377,724 (93.87%)	42.77%
Goodman & Company, Investment Counsel Ltd.	2,708,200 (12.02%)	-	-	6.44%
CIBC Global Asset Management Inc.	2,487,520 (11.04%)	-	-	5.92%
Mawer Investment Management Ltd.	2,267,489 (10.06%)	-	-	5.40%
Eno Investments Limited	21,360 (0.09%)	690,640 (14.36%)	-	1.69%

## 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, or less as the case may be, 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, 2007 regarding compensation paid to or earned by the Chief Executive Officer of Contrans, the Chief Financial Officer of Contrans and the other most highly compensated executive officer of Contrans other than the Chief Executive Officer and Chief Financial Officer whose total salary and bonus exceeds \$150,000 as at December 31, 2007 (the "Named Executive Officers").

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation <sup>(2)</sup>
		Salary (\$)	Bonus (\$)	Other Annual Compensation <sup>(1)</sup> (\$)	Awards		Payouts	
					Securities Under Option/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Pay-outs (\$)	
Stanley G. Dunford Chief Executive Officer of Contrans	2007	502,701	628,846	127,497	Nil	Nil	Nil	1,089
	2006	497,920	626,965	132,402	150,000	Nil	Nil	1,002
	2005	484,906	958,704	121,582	Nil	Nil	Nil	962
Gregory W. Rumble President and Chief Operating Officer of Contrans	2007	292,837	366,321	75,213	Nil	Nil	Nil	1,089
	2006	290,052	365,225	74,910	150,000	Nil	Nil	1,002
	2005	282,470	704,585	71,077	Nil	Nil	Nil	962
James S. Clark Vice President, Finance and Chief Financial Officer of Contrans	2007	157,500	120,000	6,000	Nil	Nil	Nil	1,089
	2006	148,750	100,000	6,000	90,000	Nil	Nil	1,002
	2005	143,750	65,000	4,500	Nil	Nil	Nil	962
David W. Golton Vice President Tank Operations of Contrans	2007	162,400	174,000	12,000	Nil	Nil	Nil	1,089
	2006	157,500	229,415	12,000	50,000	Nil	Nil	1,002
	2005	148,340	225,300	12,000	Nil	Nil	Nil	962
Scott B. Talbot Vice President Bulk Operations of Contrans	2007	162,400	203,000	12,000	Nil	Nil	Nil	1,089
	2006	157,500	172,000	12,000	50,000	Nil	Nil	1,002
	2005	148,340	215,000	12,000	Nil	Nil	Nil	962

Notes:

(1) 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 and club memberships, including the amount of \$31,554, \$29,360 and 26,283 for Mr. Dunford's club memberships in 2005, 2006 and 2007 respectively.

(2) 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.

There were no options granted to the Named Executive Officers during the financial year ended December 31, 2007 pursuant to the Option Plan.

The following table provides details regarding options exercised by the Named Executive Officers during the financial year ended December 31, 2007 and year-end option values.

#### **Aggregated Option/SAR Exercises during 2007 and Year-End Option/SAR Values**

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at December 31, 2007		Value of Unexercised in-the-money Options/SARs at December 31, 2007 <sup>(1)</sup>	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Stanley G. Dunford	Nil	Nil	120,000	150,000	Nil	Nil
Gregory W. Rumble	Nil	Nil	220,000	130,000	Nil	Nil
James S. Clark	Nil	Nil	52,000	38,000	Nil	Nil
David W. Golton	Nil	Nil	80,870	50,000	Nil	Nil
Scott B. Talbot	Nil	Nil	100,000	50,000	Nil	Nil

(1) Calculated using the closing price of the subordinate voting trust units on the Toronto Stock Exchange on December 31, 2007 of Cdn.\$9.44 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 options listed above, there were no long-term incentive awards made to the Named Executive Officers during the fiscal year ended December 31, 2007. 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, 2007.

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	2,028,870	\$12.23	453,465
Equity compensation plans not approved by security holders	Nil	N/A	Nil
Total	2,028,870	\$12.23	453,465

## 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 under the Option Plan or any other security based compensation arrangements 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 under the Option Plan or any other security based compensation arrangements, 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, 2007, an aggregate of 2,308,700 options have been granted, net of cancellations, to eligible participants under the Option Plan, representing 8% of the Fund's issued and outstanding capital. In aggregate, 279,830 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, or, if no trading occurred on that date, not less than the weighted average of the bid and ask prices on the five consecutive trading days preceding the date of grant. 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.

In the fiscal year ended December 31, 2007, the Fund obtained unitholder approval to extend options expiring during blackout periods, and to amend the amendment provisions of the Option Plan as follows:

Subject to the requisite unitholder and regulatory approvals set forth under subparagraphs (a) and (b) below, the Trustees may from time to time amend or revise the terms of the Plan or may discontinue the Plan at any time provided however that no such right may, without the consent of the Participant, in any manner adversely affect his rights under any Option theretofore granted under the Plan.

- (a) The Trustees may, subject to receipt of requisite unitholder and regulatory approval, make the following amendments to the Plan:
  - (i) any amendment to the number of units issuable under the Plan, including an increase to a fixed maximum number of securities or a change from a fixed maximum number of securities to a fixed maximum percentage. A change to a fixed maximum percentage which was previously approved by unitholders will not require additional shareholder approval;
  - (ii) any change to the definition of "Participants" which would have the potential of narrowing or broadening or increasing Insider participation;
  - (iii) the addition of any form of financial assistance;
  - (iv) any amendment to a financial assistance provision which is more favourable to Participants;
  - (v) any addition of a cashless exercise feature, payable in cash or units which does not provide for a full deduction in the number of underlying units from the Plan;
  - (vi) the addition of deferred or restricted share units or any other provision which results in Participants receiving units while no cash consideration is received by the Fund;
  - (vii) any other amendments that may lead to significant or unreasonable dilution in the Fund's outstanding units or may provide additional benefits to Participants, especially to Insiders, at the expense of the Fund and its existing unitholders.
  
- (b) The Trustees may, subject to receipt of requisite regulatory approval, where required, in its sole discretion make all other amendments to the Plan that are not of the type contemplated in subparagraph (a) above, including, without limitation:
  - (i) amendments of a housekeeping nature;
  - (ii) the addition of or a change to vesting provisions of an option or the Plan;
  - (iii) a change to the termination provisions of an option or the Plan which does not entail an extension beyond the original expiry date (subject to an extension resulting from options expiring during blackout periods); and
  - (iv) the addition of a cashless exercise feature, payable in cash or units, which provides for a full deduction of the number of underlying units from the Plan reserve.
  
- (c) Notwithstanding the provisions of subparagraph (b), the Fund shall additionally obtain requisite unitholder approval in respect of amendments to the Plan that are contemplated pursuant to subparagraph (b) to the extent such approval is required by any applicable law or regulations.

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, 2007, Mr. Dunford's base salary was \$502,701. 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 of the Board of Trustees of the Fund (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, 2007, Mr. Rumble's base salary was \$292,837. 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; 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 President, 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 the Operating Trust or directors of Contrans. For the year ended December 31, 2007, 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, 2007, 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.

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, 2007 pursuant to any other arrangement or in lieu of any standard compensation arrangement.

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

As at March 1, 2008, 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 a 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, excluding securities claim coverage, where the deductible is \$200,000. The deductibles are payable by Contrans. During the policy year of March 31, 2007 to March 31, 2008, Contrans paid an annual premium of \$317,689 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 assists the Trustees' in determining and administering the compensation of the executive officers of the Fund and its subsidiaries. The Compensation Committee was comprised of three trustees, Archie M. Leach (Chairman), Robert B. Burgess and G. Ross Amos. The Compensation Committee is comprised of all independent members.

## **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:

- Providing a competitive level of compensation;
- Retaining and motivating its executives who are critical to the Fund's long-term success; and
- 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 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.

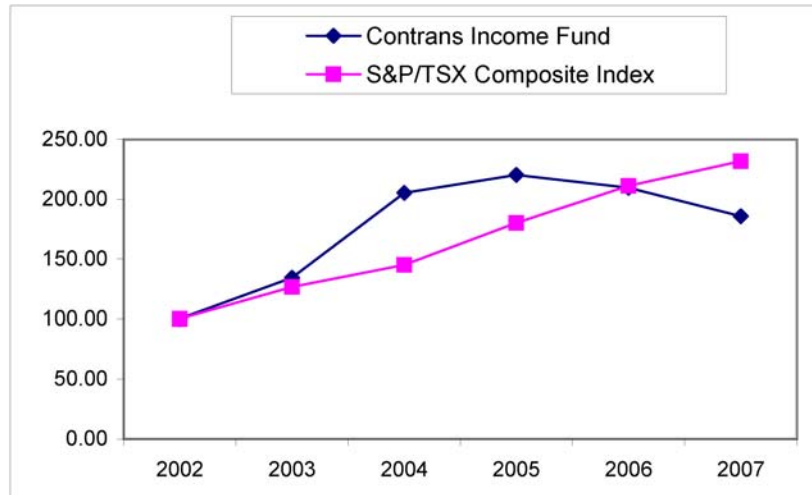
The components of the Chief Executive Officer's compensation are the same as those which apply to the other senior executive officers of the Fund, namely base salary, bonus and long-term incentives in the form of options. These components are set forth in Mr. Dunford's employment agreement and provide 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, 2007, Mr. Dunford received a base salary of \$502,701 (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.

Submitted on behalf of the Compensation Committee:

Archie M. Leach, Chairman  
Robert B. Burgess  
G. Ross Amos

**Performance Graph**

The following graph compares the yearly percentage change in the cumulative total Unitholder return for an initial investment of Cdn\$100 in subordinate voting trust units on December 31, 2002, and on December 31, 2003, 2004, 2005, 2006 and 2007 against the cumulative total shareholder return of the S&P/TSX Composite Index for the equivalent periods, assuming the reinvestment of all distributions.



	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Contrans Income Fund	100.00	134.50	205.39	220.23	209.52	185.86
S&P/TSX Composite Index	100.00	126.72	145.07	180.08	211.16	231.92

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

**Corporate Governance**

The Canadian Securities Administrators, in NI 58-101, have 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 NI 58-101.

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

**The Board of Trustees**

A majority of the members of the Board are independent within the meaning of NI 58-101. Neither Mr. Dunford nor Mr. Rumble are independent as they are also officers of the Fund. Additionally, Mr. Dunford is a significant unitholder. Mr. Dunford is the Chairman of the Board and the Board has not appointed a lead Director. The independent Trustees held In-Camera sessions without management present ("In-Camera Sessions") as required during Board and Committee meetings. In addition, as each of the committees of the Board is comprised of all independent Trustees, the independent Trustees meet regularly exclusive of management. Given the small size of the Board and the ability of independent Trustees to discuss matters relating to Contrans independent of management Trustees, the Board believes that sufficient leadership exists amongst the independent Trustees.

The independent Trustees do not hold regularly scheduled meetings at which non-independent trustees and members of management are not present, however, as noted above, they regularly hold In-Camera sessions to review the business operations, corporate governance and financial results of the Fund and they meet regularly

at committee meetings independent of management. The Board believes that such In-Camera sessions and committee meetings facilitate open and candid discussion among its independent Trustees.

The following table sets forth a summary of each Trustee’s attendance at board and committee meetings since the beginning the Fund’s financial year ended December 31, 2007.

Name	Board		Audit Committee		Compensation Committee		Corporate Governance Committee	
	18 meetings Number	%	4 meetings Number	%	1 meeting Number	%	2 meetings Number	%
Stanley G. Dunford	14	78%	n/a	n/a	n/a	n/a	n/a	n/a
Gregory W. Rumble	16	89%	n/a	n/a	n/a	n/a	n/a	n/a
G. Ross Amos	18	100%	4	100%	1	100%	2	100%
Robert B. Burgess	18	100%	4	100%	1	100%	2	100%
Archie M. Leach	17	94%	4	100%	1	100%	2	100%

Each of the Trustees of the Fund, other than Mr. Amos, is also a member of the board of directors of Contrans. Mr. Amos is also a member of the board of directors of Drive Products Income Fund. Mr. Anthony Ennis is a member of the board of directors of Contrans. Mr. Ennis has a long history in, and significant knowledge of, the freight transportation industry. Mr. Ennis has assisted Contrans with previous acquisitions and presents opportunities to Contrans, from time to time, in the freight transportation industry. Where appropriate, Mr. Ennis attends meetings of the Board of Trustees of the Fund as an invited guest.

**Board Mandate**

The Board is responsible for fostering the short and long-term success of the Fund and is accountable to Unitholders. The Board discharges its responsibilities directly and through its committees, currently consisting of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee.

A copy of the Board charter, setting out its mandate, responsibilities and the duties of its members is attached as Schedule “A” to this management information circular.

**Position Descriptions**

Written position descriptions have been developed by the Board for the Chairman of the Board and the chair of each Board committee.

The roles and responsibilities of the CEO are set out in the Dunford Employment Agreement which is reviewed and approved by the Compensation Committee. See “Employment Agreements - Dunford Employment Agreement”.

**New Director Orientation and Continuing Education**

The Corporate Governance and Nominating Committee, is responsible for ensuring that new Trustees are provided with an orientation and education program which will include written information about the duties and obligations of Trustees, the business and operations of Contrans, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other Trustees.

The Board recognizes the importance of ongoing Trustee education and the need for each Trustee to take personal responsibility for this process. To facilitate ongoing education of the Fund’s Trustees, the Corporate Governance and Nominating Committee: (a) periodically canvases the Trustees to determine their training and education needs and interests; (b) arranges ongoing visitation by Trustees to Contrans’ facilities and

operations; and (c) arranges for presentations by Vice Presidents and General Managers of Contrans with respect to specific business operations.

### **Code of Business Conduct and Ethics**

The Board has not adopted a formal Code of Business Conduct and Ethics for its directors, officers and employees.

The Board encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to trustees, directors, officers and employees to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary action for violations of ethical business conduct.

### **Nomination of Trustees**

The Corporate Governance and Nominating Committee, which is composed entirely of independent Trustees, is responsible for identifying and recruiting new candidates for nomination to the Board. The process by which the Board would identify new candidates is through recommendations of the Corporate Governance and Nominating Committee taking into account the following considerations: (a) the competencies and skills the Board, as a whole, should possess; (b) the competencies and skills that each existing Trustee possesses; (c) the competencies and skills each new nominee will bring to the Board; and (d) whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.

The Corporate Governance and Nominating Committee's responsibilities include periodically reviewing the charters of the Board and the committees of the Board; assisting the Chairman of the Board in carrying out his responsibilities; considering and, if thought fit, approving requests from Trustees for the engagement of independent counsel in appropriate circumstances; preparing and recommending to the Board a set of corporate governance guidelines, and annually a "Statement of Corporate Governance Practices" to be included in the Fund's management information circular; annually reviewing the Board's relationship with management to ensure the Board is able to, and in fact does, function independently of management; assisting the Board by identifying individuals qualified to become Board members and members of Board committees; and assisting the Board in monitoring compliance by the Fund with legal and regulatory requirements.

### **Compensation**

The Compensation Committee, which is composed entirely of independent Trustees, among other things, determines appropriate compensation for the officers and employees of Contrans. The process by which appropriate compensation is determined is through periodic and annual reports from the Compensation Committee on Contrans' overall compensation and benefits philosophies.

The Compensation Committee's responsibilities include reviewing and making recommendations to the Trustees regarding any equity or other compensation plan and regarding the total compensation package of the Chief Executive Officer, considering and approving the recommendations of the Chief Executive Officer regarding the total compensation packages for the other officers of Contrans, and preparing and recommending to the Board annually a "Report on Executive Compensation" to be included in the Fund's management information circular.

### **Audit Committee**

Information regarding the Company's Audit Committee is contained in the Company's annual information form (the "AIF") dated March 14, 2008 under the heading "Audit Committee". The AIF is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Board Assessments**

The current practice of the Board is for the Board to make ongoing, informal assessments of the performance of the Board, committees and individual Trustees.

**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, province and country of residence 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 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, 2008. 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	5,574,082 <sup>(2)</sup>	2002
Gregory W. Rumble Ontario, Canada	Trustee, President and Chief Operating Officer	President and Chief Operating Officer of Contrans	511,749	2002
Robert B. Burgess <sup>(3) (4) (5)</sup> Ontario, Canada	Trustee	Barrister and Solicitor	315,412	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	462,616	2002
G. Ross Amos <sup>(3) (4) (5)</sup> Ontario, Canada	Trustee	President of Everest Canadian Property Company, a real estate investment bank	3,998	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 and Nominating 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, province and country of residence 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 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, 2008. 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	5,574,082 <sup>(2)</sup>	1988
Gregory W. Rumble Ontario, Canada	President and Chief Operating Officer of Contrans	511,749	1991
Robert B. Burgess <sup>(3) (4) (5)</sup> Ontario, Canada	Barrister and Solicitor	315,412	1984
Archie M. Leach <sup>(3) (4) (5)</sup> Ontario, Canada	President and Chief Executive Officer of Carroll Hospital Group, a manufacturer of healthcare products	462,616	1992
P. Anthony Ennis Ontario, Canada	President of Round Oak Management Ltd., which provides management consulting services	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 unitholders, at a remuneration to be fixed by the Trustees. KPMG LLP, Chartered Accountants, was first appointed as auditors on May 21, 2003.

**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, 2007 and related management's discussion and analysis of financial results, which can be found in the Fund's annual report to unitholders, which accompanies this information circular and has also been filed on SEDAR. Unitholders 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 14, 2008

## **SCHEDULE "A"**

### **BOARD OF TRUSTEES MANDATE**

#### **Purpose**

The Board of Trustees of Contrans Income Fund (the "Fund") is ultimately responsible for the stewardship of the Fund and the operation of the business of the Fund. The Board of Trustees will discharge its responsibilities directly and through committees currently consisting of an Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee of the Fund. The Board of Trustees shall meet regularly to review the business operations, governance and financial results of the Fund.

#### **Composition**

The Board of Trustees shall be constituted at all times of a majority of individuals who, subject to any exemptions set out in Multilateral Instrument 52-110 Audit Committees ("MI 52-110"), will be independent. An "independent" trustee is a trustee who has no direct or indirect material relationship with the Fund. A "material relationship" is a relationship which could, in the view of the Board of Trustees of the Fund, be reasonably expected to interfere with the exercise of the trustee's independent judgement or a relationship deemed to be a material relationship pursuant to MI 52-110.

The following are the primary responsibilities of the Chairman:

- Chairing all meetings of the Board of Trustees in a manner that promotes meaningful discussion.
- Providing leadership to the Board to enhance the Board's effectiveness.
- Managing the Board, including:
  - ↳ Preparing the agenda of the Board meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
  - ↳ Adopting procedures to ensure that the Board can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;
  - ↳ Ensuring meetings are appropriate in terms of frequency, length and content; and
  - ↳ Ensuring that, where functions are delegated to appropriate committees, the functions are carried out and results are reported to the Board.

#### **Responsibilities**

The Board of Trustees' responsibilities include, without limitation to its general mandate, the following specific responsibilities:

- The assignment to committees of The Board Trustees of the Fund the general responsibility for developing the Fund's approach to:
  - ↳ financial reporting and internal controls;
  - ↳ corporate governance and nomination issues; and
  - ↳ issues relating to compensation of trustees, directors, officers and employees;
- With the assistance of the Audit Committee:
  - ↳ Recommending the appointment of auditors and assessing the independence of the auditors;
  - ↳ Ensuring the integrity of the Fund's internal control and management information systems;
  - ↳ Identifying the principal risks of the Fund's business and ensuring that appropriate systems are in place to manage these risks; and
- Approving interim and annual financial statements of the Fund.

- With the assistance of the Compensation Committee:
  - ↳ Approving the compensation of trustees, directors and senior management; and
  - ↳ Developing the corporate objectives that the Chief Executive Officer is responsible for meeting, and assessing the Chief Executive Officer against these objectives.
- With the assistance of the Corporate Governance and Nominating Committee:
  - ↳ Developing the Fund's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Fund; and
  - ↳ Ensuring that an appropriate selection process for new nominees to the Board of Trustees of the Fund is in place and developing the Fund's approach to nomination and review of trustees.
- Regularly assessing the effectiveness of the Board of Trustees of the Fund as a whole, the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee and the contribution of individual trustees and directors, including consideration of the appropriate size of the Board of Trustees of the Fund. Such assessments will take place on an informal basis taking into account the relatively small size of the Board, the composition of committees with independent Trustees and the Board's regular monthly meetings.
- Reviewing and considering appropriate orientation and education programs for new recruits to the Board of Trustees of the Fund.
- Succession planning and the appointment, training and monitoring of senior management.
- The adoption of a strategic planning process and the approval and review, on at least an annual basis, of a strategic plan that takes into account business opportunities and business risks.
- Considering what competencies and skills the board, as a whole, should possess and what competencies and skills each existing director possesses.
- With the assistance of the Committees, reviewing and approving:
  - ↳ All documents required to be filed publicly, including the Fund's management information circular, annual information form, annual and interim financial statements and MD&A, annual report and press releases;
  - ↳ The content of the corporate web site;
  - ↳ Procedures for the timely disclosure of material information;
  - ↳ The insider trading policy of the Fund;
  - ↳ Procedures to ensure that shareholder enquiries are dealt with on a timely basis; and
  - ↳ Procedures to ensure that only authorized spokespersons are communicating on behalf of the Fund with analysts, the media and investors.
- Performing such other functions as prescribed by law or assigned to the Board of Trustees of the Fund in the declaration of trust governing the Fund.

### **Administrative Procedures**

- The members of the Board of Trustees are expected to attend all meetings of Board of Trustees unless prior notification of absence is provided.
- The members of the Board of Trustees are required to have reviewed board materials in advance of the meeting and be prepared to discuss such materials at the meeting.
- A written agenda for each meeting shall be sent to each member 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 Board of Trustees shall provide contact information on the website of the Fund for an officer who will be responsible for receiving feedback from unitholders.