Richards Packaging Income Fund

2010 Annual Information Form

Dated March 4, 2011

Annual Information Form
Table of Contents

Information Incorporated By Reference 2
Disclosures Regarding Forward-Looking Information.. 2
Corporate Structure 3
General Development of the Business 5
Description of the Business 6
Distributions/Dividends.. 19
Description of Capital Structure 21
Constraints.. 25
Market for Securities... 25
Trustees, Directors and Officers... 26
Escrowed Securities 28
Legal Proceedings 28
Interests of Management and Others in Material Transactions 28
Promoter 29
Transfer Agent and Registrar.. 29
Material Contracts... 29
Interests of Experts... 31
Audit Committee Information... 31
Additional Information 32
Audit Committee Information-Schedule A 33

All amounts are stated in Canadian dollars unless otherwise noted.

Information Incorporated By Reference

The audited financial statements of Richards Packaging Income Fund (the “Fund”) for the year ended December 31, 2010 together with the notes to the financial statements (collectively, the “Consolidated Financial Statements”) appearing on pages 26 to 44 of the Fund’s Annual Report for the year ended December 31, 2010 (the “Annual Report”) and Management’s Discussion and Analysis appearing on pages 5 to 20 of the Annual Report are specifically incorporated herein by reference. Any parts of the Annual Report not specifically incorporated herein by reference do not form part of this Annual Information Form. The Annual Report is filed and available on the System for Electronic Disclosure and Retrieval (SEDAR) at www.sedar.com.

Disclosures Regarding Forward-Looking Information

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

While management believes that the expectations expressed and the assumptions underlying same are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information, readers should carefully consider the foregoing factors and various other factors which could cause actual results or events to differ materially from those indicated in the forward-looking information. Neither the Fund nor Richards Packaging assumes any obligation to publicly update or revise any such assumptions or any of the forward-looking information contained herein to reflect subsequent information, events, developments or changes in risk factors.

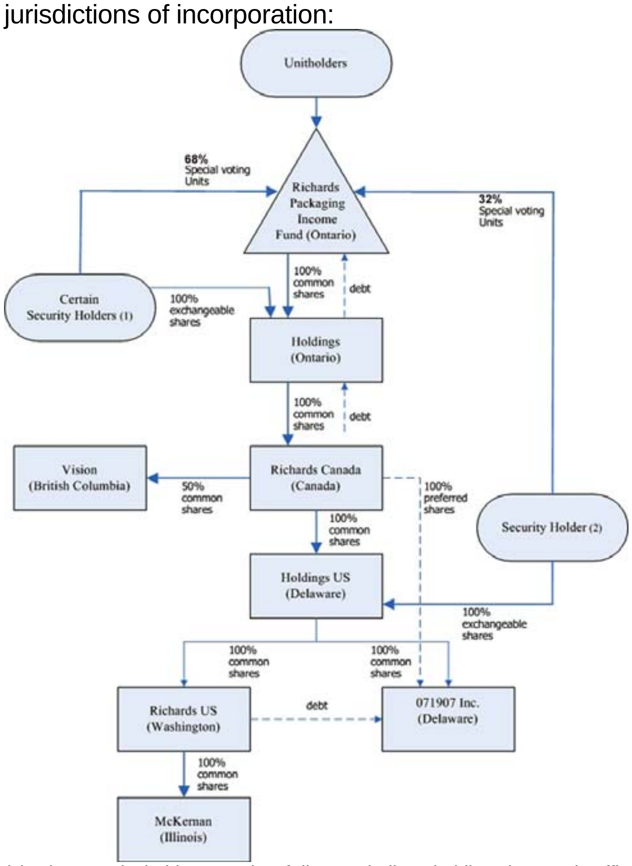
Corporate Structure

Unless otherwise indicated, the "Fund" refers to Richards Packaging Income Fund alone; "Richards Packaging" refers to all the investments of the Fund which carry on the rigid packaging container distribution and manufacturing business; “Richards Canada” refers to Richards Packaging Inc., a Canadian corporation; "Richards US" refers to Richards Packaging, Inc., a Washington corporation; "Holdings" refers to Richards Packaging Holdings Inc., an Ontario corporation, “Holdings US” refers to Richards Packaging Holdings (US) Inc., a Delaware corporation, “McKernan” refers to The E.J. McKernan Co., an Illinois corporation and "Vision" refers to Vision Plastics Inc., a British Columbia corporation.

The Fund was established to hold the securities of Holdings on behalf of the unitholders, including its common shares and the 13.95% unsecured subordinated notes (“Holdings Notes”). Holdings, in turn, holds the securities of Richards Canada, including its common shares and the 14% unsecured subordinated notes (“Richards Canada Notes”). Richards Canada holds the common shares of Holdings US and 50% of the common shares of Vision. Holdings US in turn holds all the common shares of Richards US and 071907 Inc, a Delaware corporation. Richards US holds all the common shares of McKernan. Richards Canada holds all the preferred shares of 071907 Inc.

Intercorporate Relationships

The following chart sets out the principal investments and affiliates of the Fund and their jurisdictions of incorporation:



(1) The security holders consist of direct or indirect holdings by certain officers and employees of Richards Packaging as well as a former officer of Richards Packaging.
(2) The security holder consists of an indirect holding by the former owner of McKernan.

Name, Address and Jurisdiction

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

The Fund does not conduct an active business and the role of the trustees of the Fund (the “Trustees”) are primarily to oversee share and note investments of the Fund on behalf of unitholders and to manage the affairs of the Fund.

The Declaration of Trust provides that the Trustees of the Fund are restricted to:

- investing in securities, including those issued by Holdings;
- temporarily holding cash in interest-bearing accounts, short-term government debt or investment grade corporate debt for the purposes of paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption of any Units (as hereinafter defined) or other securities of the Fund, and making distributions to unitholders;
- issuing Fund units (“Units”) and other securities, including securities convertible into or exchangeable or exercisable for Units as contemplated in the Declaration of Trust;
- issuing debt securities or otherwise borrowing and pledging the assets of the Fund as security;
- guaranteeing the obligations of Holdings or any other subsidiary of the Fund, and pledging the assets of the Fund, including securities issued by Holdings or any subsidiary, as security for that guarantee, and subordinating its rights under the Holdings Notes to other indebtedness;
- disposing of the assets of the Fund;
- issuing rights and Units under any unitholder rights plan adopted by the Fund;
- repurchasing securities issued by the Fund;
- satisfying the obligations, liabilities and indebtedness of the Fund; and
- undertaking all other activities or taking such actions in the ordinary course, including investing in securities, as are approved by the Trustees from time to time;

provided that the Fund will not undertake any activity, take any action, fail to take any action or make any investment which would result in the Fund not being considered a "mutual fund trust" for purposes of the Income Tax Act (Canada) (the “Tax Act”).

Term of the Fund

The Fund has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on February 26, 2004. On a date selected by the Trustees which is not more than two years prior to the expiry of the term of the Fund, the Trustees are obligated to commence to wind up the affairs of the Fund so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of the Fund, the unitholders may by special resolution require the Trustees to commence to wind up the affairs of the Fund.

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

General Development of the Business

The Fund was established to acquire and to hold indirectly the securities of packaging distribution businesses.

On April 7, 2004, the Fund completed an initial public offering (the "Offering") of 8,569,913 Units at a price of $10.00 per Unit for aggregate gross proceeds of $85.7 million. The Fund used the proceeds of the Offering to facilitate the acquisition of 96% of Richards Canada common shares and an indenture note (the "Acquisition"). In addition, the Fund, in conjunction with Holdings, facilitated the issuance of 455,185 Holdings exchangeable shares for the remaining 4% of Richards Canada common shares. Richards Packaging is a full service rigid packaging distributor.

Immediately prior to the closing of the Offering and the Acquisition, Richards Packaging entered into a new credit facility encompassing a revolving credit facility of $5.0 million, an acquisition credit facility of U.S.$5.3 million and a term loan of U.S.$18.2 million. The full amount of the U.S.$18.2 million term loan was drawn down to repay outstanding credit facilities and certain other liabilities existing on Acquisition. During the year ended December 31, 2006, Richards Packaging converted the then outstanding balance in the acquisition credit facility of U.S.$11.6 million into term debt and drew an additional U.S.$0.2 million bringing the total long term debt to U.S.$30.0 million. The due date of the term loan was extended to June 5, 2009. During the year ended December 31, 2007, the revolving and acquisition credit facilities were increased to $7.0 million and U.S.$18.0 million, respectively. The acquisition facility was then fully drawn to fund the acquisition of McKernan. On June 3, 2008 Richards Packaging converted the then outstanding balance of the revolving and acquisition credit facilities into a new term loan facility bringing the total term loan to U.S.$52 million and providing up to U.S.$10 million in credit for future acquisitions. The interest premium over LIBOR, or prime rate, was increased by 0.75% to reflect current market conditions. The due date of the term loan was extended to June 3, 2011. On November 30, 2008 U.S.$1 million of the term loan was repaid. On December 10, 2008 the acquisition credit facility was cancelled and additional covenant relief was provided with the interest premium over LIBOR increasing an additional 1.00%. In 2009, $7.7 million of the term debt was repaid and on July 31, 2009 Richards Packaging converted the U.S. denominated term loan to Canadian denominated debt at U.S./Cdn.$0.923. In addition, in 2009 the interest premium increased 0.5% on the revolver facility. On May 31, 2010, Richards Packaging refinanced the term and revolving credits and removed one of the three lenders from the lending syndicate. The effect was to decrease the interest premium by 0.75% and extend both the term and revolving credit maturities to May 31, 2013. The term loan credit facility was $48 million drawn at December 31, 2010. As at December 31, 2010, the revolving credit facility was not drawn. The revolving credit facility is available to fund general business purposes. As collateral for the above credit facilities, Richards Packaging has provided a first charge over all its assets.

Richards Packaging's credit facilities are subject to a number of covenants and restrictions including the requirement to meet certain financial ratios, most notably the leverage ratio. The leverage ratio covenant was 3.25 times until June 30, 2009 and is reduced to 2.75 times as at September 30, 2009. In order to ensure we achieved our target of 2.50 times leverage ratio by September 30, 2009 distributions were temporarily suspended during March through to September of the year ended December 31, 2009. As of December 31, 2009 our leverage ratio was 2.13. As of December 31, 2010 our leverage ratio was 2.16. In addition, the Fund is required to maintain a fixed charge coverage ratio of greater than 2.50 times and a minimum net worth of $70,000.

Acquisitions

On November 30, 2004, Richards Packaging acquired all the issued and outstanding shares of three separate Canadian packaging distribution companies for an aggregate purchase price of approximately $7.6 million. These acquisitions include Kay Containers Ltd. and Calgary Plastics Container Supply Ltd., who were agents for Richards Packaging in Manitoba and Calgary respectively, and M.A. Foss Distributors Ltd. who provides secure packaging to the prescription drug industry.

On July 29, 2005, Richards Packaging indirectly acquired all the issued and outstanding shares of Dispill Inc. ("Dispill") for cash consideration of approximately $7.5 million. Dispill is the largest provider of secure packaging to the Quebec nursing home market.

On October 31, 2007, Richards US acquired all the issued and outstanding shares of McKernan for consideration of approximately U.S.$30 million. McKernan is a direct mail, catalogue and telemarketing packaging distributor in the United States. The consideration included a cash payment of U.S.$20 million, which was funded by a U.S.$18 million draw on the acquisition credit facility and from the proceeds of a $2 million private placement of exchangeable shares of Holdings made to the President and the CEO of Richards Canada. The balance of the purchase price of U.S.$10 million was satisfied by the issuance of shares exchangeable into 1,052,632 Units of the Fund.

Description of the Business

General

Over the last 99 years, Richards Packaging has developed into a full-service packaging distributor targeting small- and medium-sized North American consumer product businesses. Richards Packaging serves a wide customer base that is comprised of over 11,000 regional food, wine and spirits, cosmetic, specialty chemical, pharmaceutical and other companies.

Each year, Richards Packaging sells more than 5,000 different types of packaging containers and related components sourced from more than 600 suppliers and its own manufacturing facilities. Richards Packaging provides its customers with a wide range of packaging solutions to help those customers differentiate their products, as well as design and development services and comprehensive logistics management.

For the years ended December 31, 2010 and 2009, total revenue was $179.0 million and $189.1 million, respectively. Revenue decreased in the year predominately due to the foreign exchange translation impact of the US operations. Richards Packaging currently serves customers from 20 locations throughout North America which are all leased. The following table sets out information regarding Richards Packaging's leased premises:

Location	Square Footage
Richmond, British Columbia	59,000
Langley, British Columbia*	41,000
Tacoma, Washington*	52,000
Kent, Washington	82,200
Portland, Oregon	64,000
Norwalk, California	60,000
El Dorado Hills, California	2,000
Los Angeles, California	2,000
Edmonton, Alberta	12,800
Calgary, Alberta	23,000
Winnipeg, Manitoba	45,000
Mississauga, Ontario	72,000
Toronto, Ontario*	60,000
Montreal, Quebec	52,000
Granby, Montreal	5,000
Neptune City, New Jersey	1,000
Dartmouth, Nova Scotia	15,000
LaSalle, Illinois	144,000
Washoe, Nevada	10,000
Monterrey, Mexico	2,500

* manufacturing facility

Production and Services

Richards Packaging is the only North American distributor of packaging containers with dedicated in-house plastics manufacturing capability. At its three manufacturing facilities, Richards Packaging operates 40 blow moulding machines (including those operated by Vision) that allow it to manufacture a range of plastic containers using polyvinyl chloride, high density polyethylene and polyethylene terephthalate. Approximately 15% of sales are supplied by these plants. This integration facilitates better control in working with its customers to meet their unique demand requirements including the creation of moulds and the optimization of delivery times.

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

Richards Packaging can assist its customers with every aspect of the packaging sourcing process. The sales representatives and support staff have extensive product knowledge and experience within the rigid packaging industry. This experience and knowledge is applied to assist customers in making their purchasing decisions. In addition, the sales representatives, in conjunction with the manufacturing personnel, have a full range of packaging design and development capabilities and expertise to offer to its customers. The packaging design and development process focuses on customer needs, such as product-packaging compatibility, dispensing requirements, ergonomics, child resistance, product promotion and brand image.

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

Competitive Profile

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

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

Components

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

The principal raw materials used in Richards Packaging's manufacturing facilities are various types and grades of resin. Richards Packaging purchases the material from a variety of suppliers and is therefore not dependent on any one supplier for its raw material requirements. The price of resin fluctuates in response to changes in worldwide supply and demand. In 2010, the price of resin increased by approximately 10% in comparison to 2009. The volatility in the price of resins continues to not have a material impact on margins as a result of management's practice of immediately passing through increases and decreases to customers.

Intangible Properties – Customer Relationships, Patents and Trademarks

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

Management believes its trademarks "Dispill" and "McKernan" as well as the patent for the Dispill pill dispensing products are important to Richards Packaging's competitive position. The Dispill patent is registered in Canada and is owned by Richards Packaging. The patent expires April 2017. "Dispill" is a registered trademark owned by Richards Packaging in Canada. McKernan is a registered trademark owned by Richards US in the United States.

Environmental, Health and Safety

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

Employees

As at December 31, 2010, Richards Packaging had approximately 470 employees, including 60 employees who were employed by Vision.

Foreign Operations

Richards Packaging currently operates in Canada and the United States. Approximately 50 percent of sales are generated by Richards US and McKernan. Sales, margins and net earnings are sensitive to changes in the United States economy and the rate of exchange between the Canadian and U.S. dollars. In prior years, Richards Packaging utilized U.S. dollar denominated debt to provide a natural hedge against foreign exchange fluctuations by largely offsetting U.S. dollar denominated cash flow with U.S. dollar denominated interest expense. However, in 2009, the U.S. dollar denominated debt was converted to Canadian dollars in order to alleviate any sudden exposure to large fluctuations in the foreign exchange rate. Significant changes in the rate of exchange between the U.S. and Canadian dollars from one period to another can continue to affect sales and cash flow from operations. During the year ended December 31, 2010, revenue decreased by $8.7 million as a result of the Canadian dollar strengthening. The U.S. dollar denominated exchangeable shares continue to provide a partial hedge against foreign exchange fluctuations by offsetting U.S. dollar denominated cash flow with the U.S. dollar denominated cash flow with U.S. dollar denominated dividends.

Changes to Contracts

On May 31, 2010, Management renewed the term and revolving credit facilities to mature May 31, 2013. Richards Packaging's credit facilities are subject to a number of covenants and restrictions including the requirement to meet certain financial ratios, most notably the leverage ratio. The leverage ratio covenant was 3.25 times until June 30, 2009 and is now reduced to 2.75 times as at December 31, 2010 until maturity of May 31, 2013. As of December 31, 2010 our leverage ratio was 2.16. In addition, the Fund is required to maintain a fixed charge coverage ratio of greater than 2.50 times and a minimum net worth of $70,000.

The union contracts for two of Richards Packaging's manufacturing facilities are currently being renegotiated. The eventual renegotiations of these contracts are not expected to have a significant impact on profitability.

Restructuring

During 2007, an internal reorganization took place within the Fund whereby Richards Canada sold all the outstanding shares of Richards US to Holdings US, a newly incorporated entity wholly owned by Richards Canada. In addition, 071907 Inc. was formed and is a wholly owned subsidiary of

Holdings US. The restructuring was undertaken to facilitate future acquisitions in the U.S. Subsequent to the restructuring, Richards US acquired McKernan.

Risk Factors

I. Risks Related to the Business

Customer Relationships

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

Extent and Duration of the Worldwide Recession

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

Relationships with Suppliers

Management believes that the competitive dynamics in supplier markets will continue to permit Richards Packaging to leverage its purchasing power. There is a risk that a change in such competitive dynamics could have a significant adverse impact on financial performance. Moreover, Richards Packaging does not typically enter into long-term contracts with suppliers. While Richards Packaging has maintained relationships with many of its suppliers over a long-term period, we cannot be certain of the benefits or barriers to entry which these relationships have provided, will continue to be provided in the future or that such relationships will continue. Further, Richards Packaging sources approximately 86% of its product directly from packaging manufacturers.

Financial Stability of Customers

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

Lack of Written Customer and Supplier Agreements

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

Competition

Some of our competitors have greater economic resources and are well established as suppliers to the packaging markets. Accordingly, those competitors may be better able to withstand volatility within industries and throughout the economy as a whole, while retaining significantly greater operating and financial flexibility than Richards Packaging. Although Richards Packaging competes in a number of areas, including reliability, responsiveness, expertise, convenience, scope of operations and price, there can be no assurance that competition in one of these areas will not have an adverse impact on financial performance.

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

Patent and Trademark Challenges

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

Inventory Obsolescence

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

Trade Risks

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

Raw Material Price Volatility

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

Reliance on Key Personnel

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

Exchange Rate Fluctuations

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

Interest Rates

Richards Packaging's credit facility is subject to floating interest rates and, therefore, is subject to fluctuations in interest rates. As the business grows, this exposure is expected to increase. Interest rate fluctuations are beyond Richards Packaging's control and there can be no assurance that interest rate fluctuations will not have a significant adverse effect on financial performance. On September 10, 2007, Richards Canada entered into interest rate swap contracts with approved creditworthy counterparties to manage current and anticipated exposure to interest rate risk through June 5, 2009 on a notional principal amount equal to the then U.S.$30 million term debt outstanding. The interest rate swap agreement converted the variable interest rate on the term debt outstanding to a fixed rate of 4.6% plus an applicable margin.

Risks of Acquisitions and the Failure to Integrate Acquired Businesses

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

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

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

Uninsured and Underinsured Losses

Richards Packaging maintains insurance policies with insurers in amounts and with coverages and deductibles that it believes to be reasonable and prudent. Richards Packaging maintains comprehensive property, casualty and liability insurance with coverages and amounts that it believes are sufficient to repair or replace any assets physically damaged or destroyed, resultant business interruption losses or extra expenses sustained, and to cover claims with respect to bodily injury or property damage arising out of assets or operations. However, not all risks are covered by insurance, and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations.

Environment, Health and Safety Requirements and Related Considerations

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

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

Operating Hazards

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

Product Liability

Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of Richards Packaging's products and lawsuits and would be detrimental to our market reputation. Richards Packaging's products and the products incorporated from third parties are not error free. Undetected errors or performance problems may be discovered in the future. Richards Packaging may not be able to successfully complete the development of planned or future products in a timely manner or to adequately address product defects, which could harm our business and prospects. In addition, product defects may expose Richards Packaging to product liability claims, for which it may not have sufficient product liability insurance. A successful suit against Richards Packaging could harm its business and financial condition.

Risk of Future Legal Proceedings

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

II. Risks Related to the Structure of the Fund

Dependence on Richards Packaging

The Fund is an unincorporated, open-ended limited purpose trust which will be entirely dependent on the operations and assets of Richards Packaging through direct and indirect ownership interests. Cash distributions to unitholders are not guaranteed and will be dependent on the ability of Holdings to pay the interest obligations under the Holdings Notes and dividends or other distributions on its common shares which in turn is dependent on the ability of Richards Canada to pay interest obligations under its Richards Canada Notes as well as Holdings US and 071907 Inc. to pay the dividend obligations under the preferred share investment. Although the Fund intends to distribute the interest and dividend income received by the Fund less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by Richards Packaging and amounts paid to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital, capital expenditures and compliance with restrictive covenants under the credit facility.

Income Tax Matters

Canada

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

Income fund structures generally involve significant amounts of intercompany or similar debt, generating substantial interest expense which serves to reduce earnings and therefore income tax payable. There can be no assurance that the CRA will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against one or more of the investments of the Fund, it could materially adversely affect the amount of distributable cash available. The Fund has obtained advice from its Canadian legal counsel that interest payments on the intercompany debt should be deductible for income tax purposes. The Fund believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of the Holdings Notes and Richards Canada Notes.

Further, interest on the Holdings Notes accrues at the Fund level for Canadian federal 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 reduce the Fund's taxable income to zero. Where interest payments on the Holdings Notes are due but not paid in whole or in part, the Declaration of Trust provides that additional 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 Units in their income in circumstances when they do not directly receive a cash distribution.

On June 22, 2007, changes were announced to Canadian income tax laws which will significantly affect the taxation of income trusts, including the Fund. In particular, income funds will pay tax on distributions paid to unitholders and such distributions will be treated as taxable dividends paid by a Canadian corporation. As a result, income earned by income trusts and distributed to unitholders will effectively be taxed at the combined federal and provincial rates comparable to rates that apply to income earned and distributed by Canadian corporations. The application of the new rules will be delayed to 2011 with respect to income trusts (such as the Fund) that were publicly traded prior to November 1, 2006. However, this transitional relief may be lost under certain circumstances, including the “undue expansion” of an income trust. The growth limit that applies for the Fund is $50 million per year.

The Fund is considering the impact of the new rules to the Fund. These rules may adversely affect the marketability of the Fund’s Units and the ability of the Fund to undertake financings and acquisitions and at such time as the rules apply to the Fund, the distributable cash of the Fund may be materially adversely affected.

United States

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

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

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

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

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

Leverage and Restrictive Covenants

The ability of Holdings, Richards Canada and Holdings US to make distributions, pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of those entities. The degree to which

Richards Packaging is leveraged could have important consequences to the holders of the Units, including: (1) the ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (2) a significant portion of cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations; (3) certain of the borrowings will be at variable rates of interest, which exposes Richards Packaging to the risk of increased interest rates; and (4) Richards Packaging may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may increase the sensitivity of distributable cash to interest rate variations.

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

Richards Packaging may need to refinance its available credit facility or other debt and there can be no assurance that Richards Packaging will be able to do so or be able to do so on terms as favorable as those presently in place. If Richards Packaging is unable to refinance the credit facilities or other debt, or is only able to refinance the credit facility or other debt on less favorable and/or more restrictive terms, this may have a material adverse effect on Richards Packaging's financial position, which may result in a reduction or suspension of cash distributions to unitholders. In addition, the terms of any new credit facility or debt may be less favorable or more restrictive than the terms of the existing credit facility or other debt, which may indirectly limit or negatively impact the ability of the Fund to pay cash distributions.

Unitholder Liability

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

Nature of Units

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

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

Restrictions on Potential Growth

The payout by Richard Packaging of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of cash flow could limit the future growth of Richards Packaging.

Distributions/Dividends

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

Monthly distributions for the last three years are as follows:

	2010	2009	2008
January	$659,000	$946,000	$956,000
February	$658,000	$946,000	$956,000
March	$658,000	--	$954,000
April	$657,000	--	$954,000
May	$657,000	--	$951,000
June	$657,000	--	$950,000
July	$657,000	--	$947,000
August	$657,000	--	$946,000
September	$657,000	--	$946,000
October	$657,000	$663,000	$946,000
November	$657,000	$662,000	$946,000
December	$704,000	$661,000	$946,000

The monthly distribution was $0.0935 per Unit until March 2009 when the Fund temporarily suspended distributions. Distributions resumed in October 2009 at $0.0655 per Unit. The decrease in the aggregate monthly distribution amounts during 2008, in October to December 2009 and in January to June 2010 resulted from the repurchase of Units under the Fund's Normal Course Issuer Bid carried out through the facilities of the Toronto Stock Exchange, which commenced in November 2007 and ended in November 2008 and then resumed in November 2009 until November 2010. The increase in the aggregate monthly distribution amounts in December 2010 resulted from the conversion of exchangeable shares of Holdings US to Units.

Monthly dividends on the exchangeable shares of Holdings and Holdings US were $47,300 and US$68,900 respectively in January through to November 2010 or $0.0655 per share. The decrease in monthly dividends in December 2010 resulted from the conversion of 715,990 exchangeable shares of Holdings US to Units. Monthly dividends on the exchangeable shares of Holdings and Holdings US were $69,200 and US$98,400 respectively in January and February 2009 or $0.0935 per share. In October and November 2009 monthly dividends in Holdings were $48,500, $47,300 for December and US$ 68,900 in Holdings US from October to December 2009. The monthly dividend was $0.0655 per share commencing in October 2009. The decrease in monthly dividends in December 2009 resulted from the conversion of 18,500 exchangeable shares to Units. Monthly dividends on the exchangeable shares of Holdings and Holdings US were $69,200 and U.S.$98,400, respectively for each of the months in 2008 or $0.0935 per share. Monthly dividends on the exchangeable shares of Holdings and Holdings US in 2007 were $49,100 per share from January to September, $69,200 from October to December and U.S.$98,400 from October to December. The increase in monthly dividends in October resulted from the subscription of exchangeable shares by the President and the CEO of Richards Canada and the issuance of exchangeable shares of Holdings US as partial consideration for the McKernan acquisition completed on October 31, 2007.

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

Fund Policy

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

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

Under the terms of the Holdings Notes, interest is accrued at 13.95% per annum and is to be paid monthly within 15 days following the end of each month. The Fund may make additional distributions in excess of the monthly distributions during the year, as the Trustees may determine.

Monthly distributions are to be paid to unitholders of record on the last business day of each month and will be paid within 15 days following each month end.

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

Holdings Policy

The board of directors of Holdings has adopted a policy to distribute all of its available cash from interest and principal repayments on the Richards Canada Notes and dividends or other distributions received by Holdings, subject to applicable law, by way of monthly dividends on its exchangeable shares or other distributions on its securities, after

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

Description of Capital Structure

The Fund is an open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated February 26, 2004 as amended and restated April 7, 2004. Reference is made to the Declaration of Trust (available at www.sedar.com) for a complete description of the Units and the full text of its provisions.

Units

An unlimited number of Units may be issued under the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units are not subject to future calls or assessments, and entitle the holder to one vote for each Unit held at all meetings of unitholders. In determining the unitholders who are entitled to receive notice of and to vote or act at any meeting of unitholders, the Trustees may fix a date not more than 60 days and not less than 21 days prior to the date of the meeting as a record date. Except as set out under "Redemption Right" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

Special Voting Units

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

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

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

Issuance of Units

The Declaration of Trust provides that the Units or rights to acquire Units may be issued at those times, to those persons, for that consideration and on the terms and conditions that the Trustees determine. Units may be issued in satisfaction of any non-cash distribution of the Fund to unitholders on a pro rata basis. The Declaration of Trust also provides that, unless the Trustees determine otherwise, immediately after any pro rata distribution of Units to all unitholders in satisfaction of any non-cash distribution, the number of outstanding Units may be consolidated so that each unitholder will hold after the consolidation the same number of Units as the unitholder held before the non-cash distribution. In this case, each certificate (if any) representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

Redemption Right

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

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

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

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

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

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

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

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Units and not less than 90% of the Units on a fully-diluted basis (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by unitholders who did not accept the take-over bid on the terms offered by the offeror.

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

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

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

- any sale, lease or other disposition of, or any interest in, all or substantially all of the assets of Holdings, Richards Canada, Holdings US or Richards US or any other direct or indirect subsidiary of the Fund except in conjunction with an internal reorganization or pledges in connection with permitted guarantees;
- any amalgamation, arrangement or other merger of Holdings, Richards Canada, Holdings US or Richards US with any other entity, except in conjunction with an internal reorganization;
- any material amendment to the indenture governing the Holdings Notes, other than in contemplation of a further issuance of notes to the Fund that are identical in all material respects to the Holdings Notes issued in conjunction with the Offering;
- the winding-up or dissolution of Holdings, Richards Canada, Holdings US or Richards US prior to the end of the term of the Fund, except in conjunction with an internal reorganization, or
- any material amendment to the constating documents of Holdings, Richards Canada, Holdings US or Richards US to change the authorized capital of those entities or to effect any other change in a manner which may be prejudicial to the Fund or the unitholders

without the authorization of the unitholders by special resolution.

Exchange Agreements

The Fund has entered into an exchange agreement with the holders of exchangeable shares of Holdings (the “Holdings Exchange Agreement”) and with the holder of exchangeable shares of Holdings US (the “Holdings US Exchange Agreement” and collectively with the Holdings Exchange Agreement, the “Exchange Agreements”). In accordance with the Exchange Agreements which were entered into by the Fund with certain current and former officers and their respective family members, the Fund issued Special Voting Units to the holders of the exchangeable shares. The Special Voting Units carry such number of votes in the aggregate, exercisable at any meeting at which unitholders are entitled to vote, equal to the number of exchangeable shares of Holdings outstanding on the record date established for a meeting and equal to the product obtained by multiplying the number of exchangeable shares of Holdings US outstanding on the record date by 1000. Each exchangeable share of Holdings is exchangeable into one Unit and each exchangeable share of Holdings US is exchangeable into 1000 Units. With respect to any written consent sought from the unitholders, each vote attached to the Special Voting Units is exercisable on the same basis as set out above.

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

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

The Holdings Exchange Agreement also provides that, in the event that Holdings receives a notice of retraction from, or issues a notice of redemption to, a holder of exchangeable shares and the Fund is not exercising its overriding right to purchase the exchangeable shares, the Fund will issue to Holdings one Unit for each exchangeable share and Special Voting Unit to be redeemed, subject to adjustment, and Holdings will pay for that Unit by issuing common shares and/or Holding Notes to the Fund. In the event that Holdings US receives a notice of retraction from, or issues a notice of redemption to, the holder of exchangeable shares of Holdings US, the Holdings US Exchange Agreement provides that the Fund will issue to Holdings US one thousand Units for each one exchangeable share and one Unit for each Special Voting Unit to be redeemed or the Fund may, at its' discretion redeem the shares for cash. The retraction of the Holdings US exchangeable shares are limited to increments of up to U.S. $2 million at the end of each anniversary subsequent to issue. On December 21, 2010 715.99 shares equivalent to U.S. $6 million was converted into 715,990 Fund Units.

Constraints

Limitation of Non-resident Ownership

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

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

Market for Securities

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

Month in 2010	Low Price ($)	High Price ($)	Total Monthly Volume Traded
January	7.95	6.90	124,800
February	7.24	6.76	383,300
March	7.25	6.92	121,900
April	7.79	7.05	244,300
May	8.15	7.70	303,500
June	8.74	7.75	246,500
July	8.60	7.99	90,800
August	8.60	7.81	60,800
September	8.39	8.00	68,700

October	8.30	8.10	116,700
November	8.69	8.20	155,316
December	8.80	8.50	134,037

Holdings and Holdings US have 722,401 and 336,642, respectively, exchangeable shares outstanding. The exchangeable shares are not listed or traded in the marketplace. 455,185 exchangeable shares in Holdings were issued to certain current and former officers of Richards Packaging or their respective family members for $10.00 per share or total consideration of $4,551,850 for the remaining 4% of the outstanding shares of Richards Canada. In addition, 69,500 exchangeable shares were issued for $10.00 per share or total consideration of $695,000 on November 30, 2004 as part of the consideration paid for the acquisition of all the outstanding shares of Calgary Plastics Container Supply Ltd. A total of 216,216 exchangeable shares for $9.25 per share or $2 million in aggregate were subscribed for by the President and the CEO of Richards Canada to facilitate the acquisition of McKernan in 2007, with the proceeds used to partially fund the cash portion of the consideration paid to acquire McKernan. In December 2009, 18,500 exchangeable shares in Holdings were converted to Units. Finally, 1,052.632 exchangeable shares in Holdings US for U.S.$9,500 per share or total consideration of U.S$10 million were issued in October 2007 to the previous owner of McKernan as partial consideration for the acquisition. In December 2010, 715,990 exchangeable shares of Holdings US were converted to Units.

Trustees, Directors and Officers

Name, Address, Occupation and Security Holding

The names, province and country of residence of each of the Trustees, directors and executive officers of the Fund and Richards Packaging, their positions held with the Fund and/or Richards Packaging, the date on which each became a Trustee of the Fund and a director of Richards Packaging and the principal occupations of each Trustee, director or executive officer of the Fund and/or Richards Packaging during the past five years are shown below:

Name and Province of Residence	Position Held	Principal Occupation
Donald Wright (1),(2),(6) Ontario, Canada	Chairman Director and Trustee since April 7, 2004	Corporate Director
Wayne McLeod (1),(2),(7) Ontario, Canada	Chair, Audit Committee Director and Trustee since April 7, 2004	Corporate Director
Derek Ridout (1)(2),(8) Ontario, Canada	Chair, Compensation and Corporate Governance Committee Director and Trustee since April 7, 2004	Corporate Director
Rami Younes(1),(2), (9) Ontario, Canada	Director and Trustee since October 13, 2005	Corporate Director
Gerry Glynn (3) Ontario, Canada	Chief Executive Officer Director since November 2002 Trustee since April 7, 2004	Chief Executive Officer of Richards Packaging
David Prupas British Columbia, Canada	President and Chief Operating Officer	President and Chief Operating Officer of Richards Canada and Richards US

Enzio Di Gennaro (4) Ontario, Canada	Chief Financial Officer	Chief Financial Officer of Richards Packaging
Terry Edwards (5) British Columbia, Canada	Vice President, US Operations	Vice President of Richards US
Tim McKernan (10) Nevada, United States	President, McKernan	President of McKernan

1 Member of the Audit Committee
2 Member of the Compensation and Corporate Governance Committee
3 Gerry Glynn has been Chief Executive Officer of Richards Packaging since November 2002.
4 Enzio Di Gennaro has been Chief Financial Officer of Richards Packaging since May 2005. Prior to that, Mr. Di Gennaro was Director of Finance with CPI Plastics Group Limited from 2002 to 2005.
5 Terry Edwards has been Vice President since May 2005. Prior to that, Mr. Edwards was Regional Sales Manager from 2004 to 2005 and Senior Sales Manager-Western Canada from 2000 to 2003 with Richards Packaging.
6 Donald Wright is the President and CEO of Winnington Capital Group Inc. and holds Director positions on various boards of directors. Prior to that, Mr. Wright was Deputy Chairman of TD Bank Financial Group from 2001 to 2002 and Chairman and Chief Executive Officer of TD Securities Inc. from 1998 to 2002.
7 Wayne McLeod holds Director positions on various boards of directors. Mr. McLeod retired in 1999 with CCL Industries Inc., where he served as President, Chief Executive Officer and Chairman of the Board, among other positions.
8 Derek Ridout holds Director positions on various boards of directors. Mr. Ridout was Chief Executive Officer for Perigee Investment Counsel Inc. from 2001 to 2003.
9 Rami Younes served as President of CCL Container, a division of CCL Industries Inc. from 1980 to 2006.
10 Tim Mckernan has been President of McKernan since 1982.

As of March 4, 2011, the Trustees and the directors and officers beneficially owned or controlled 3,174,356 Units or approximately 30% of the total Units issued and outstanding. In addition, certain officers owned or controlled 905,429 exchangeable shares or approximately 86% of the total exchangeable shares issued and outstanding.

All Trustees of the Fund and directors of Richards Packaging hold office until the next annual meeting of unitholders or until their successors are elected or appointed.

Conflicts of Interest

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

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of the Fund's knowledge, no Trustee of the Fund or director or executive officer of Richards Packaging,

(a) is, as at the date hereof or has been, within the 10 years before, a director, chief executive officer or chief financial officer of any company, that while that person was acting in that capacity,

(i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or

(ii) was subject to an event that resulted, after the Trustee, director or executive officer ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days;

(b) is, as at the date hereof or has been, within the 10 years before, a director or executive officer of any company, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the Trustee, director or executive officer.

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

Escrowed Securities

All the outstanding exchangeable shares of Holdings US, being 336.642 shares exchangeable into 336,642 Units of the Fund are held in escrow. These exchangeable shares were issued in connection with the acquisition of McKernan in 2007 and will be released from escrow when certain obligations of the seller are settled. The shares are held in escrow by Holdings US.

Legal Proceedings

Except as hereafter described, there currently are no outstanding material legal proceedings to which the Fund or any of its investments is party or of which any of Richards Packaging's properties is the subject matter, nor is the Fund aware of any such material threatened or contemplated proceedings. In September 2005, a competitor commenced an action in the Federal Court of Canada against Richards Canada seeking a declaration that the competitor's pill dispenser did not infringe Richards Canada's patent. The competitor has withdrawn their action but Richards Canada has counterclaimed claiming patent and copyright infringement against the competitor and certain other parties. Management's estimate of ongoing legal costs to defend this action is approximately $400,000 over the next year. If their action fails there could be a positive effect on profitability of Richards Packaging in the future.

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

Interests of Management and Others in Material Transactions

On April 7, 2004, the Fund completed an initial public offering of 8,569,913 Units at a price of $10.00 per Unit for aggregate gross proceeds of $85.7 million. The Fund used the proceeds of the offering to facilitate the acquisition of 96% of Richard Packaging from its shareholders, including Mr. Glynn, a Trustee and CEO. Mr. Glynn is also a significant unitholder of the Fund.

On October 31, 2007, a total of 216,216 exchangeable shares at $9.25 per share were subscribed for by the President and the CEO of Richards Canada to facilitate the acquisition of McKernan. The proceeds of $2 million were used to partially fund the cash portion of the consideration paid to acquire McKernan.

On October 31, 2007, Richards US purchased all the outstanding shares of McKernan from entities controlled by Mr. McKernan. As part of the consideration he received U.S$10 million in Holdings US shares exchangeable into 1,052,632 Units of the Fund. On December 21, 2010, Mr. McKernan converted U.S.$6 million in exchangeable shares into 715,990 Units of the Fund

As at December 31, 2010, Mr. McKernan, who is an officer of McKernan has equity interests in two companies who are landlords under two leases relating to property in (i) LaSalle, Illinois that has a base rent of U.S.$28,600 per month and expires in December 31, 2020 and (ii) Washoe, Nevada that has a base rent of U.S.$9,600 per month and expires in March 31, 2016. Annually, the rents for these two premises are increased by 3% until the end of their respective terms.

In all of these cases, management believes that the terms of the leases are no more onerous, and the pricing is no greater, than that which would be in place under comparable commercial arrangements with third parties.

Promoter

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

Transfer Agent and Registrar

The transfer agent and registrar for the Units is CIBC Mellon Trust Company at its principal office in Toronto, Ontario.

Material Contracts

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

Declaration of Trust

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

Exchange Agreements

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

On October 31, 2007, the Fund entered into an exchange agreement with the former owner of McKernan relating to the issuance of Special Voting Units and exchange provisions of the Holdings US exchangeable shares.

Note Indentures

On April 7, 2004, the Fund and its investments entered into a series of note indentures relating to the intercompany notes between the entities. The note indentures provide details of the terms and conditions such as maturity dates and interest rate. The note indentures mature on April 7, 2014 and bear interest at either 14% or 13.95%. During the year ended December 31, 2007, the intercompany notes between Richards Canada and Richards US was settled. During the year ended December 31, 2009, an internal reorganization was executed by way of a series of intercompany transfers resulting in a reduction of either $11,567 or $13,632 in the note indentures. During the year ended December 31, 2010, an internal reorganization was executed by way of a series of intercompany transfers resulting in a further reduction of $55,400 and $56,000 in the note indentures.

Acquisition Agreement

The Fund, Holdings, Richards Canada, Richards US and previous security holders of Richards Canada entered into an acquisition agreement dated March 22, 2004. The acquisition agreement contains details of the acquisition of Richards Canada by Holdings from the previous security holders. The agreement also includes a description of representations, warranties, indemnities and related limitations. The time limitations surviving the representations and warranties are also detailed in the acquisition agreement.

Credit Facilities

On April 7, 2004, Richards Packaging entered into a new credit facility with Canadian Imperial Bank of Commerce, Administrative Agent and Co-Lead Arranger as well as National Bank Financial, Co-Lead Arranger, that encompassed a revolving credit facility of $5.0 million, an acquisition credit facility of U.S.$5.3 million and a term loan of U.S.$18.2 million. The revolving and acquisition credit facilities were increased effective June 5, 2005 to $7.0 million and U.S.$12.0 million, respectively. During the year ended December 31, 2006, Richards Packaging converted the outstanding balance on the acquisition credit facility of U.S.$11.6 million into term debt and drew an additional U.S.$0.2 million bringing the total long term debt to U.S.$30.0 million. The due date of the revolving and acquisition credit facilities were also extended to June 4, 2007 and the term loan to June 5, 2009. Also in 2006, the availability on the revolving facility was reduced by $2.0 million to $5.0 million and the acquisition credit facility was reduced by U.S.$5.0 million to U.S.$7.0 million. During the year ended December 31, 2007, the revolving and acquisition credit facilities were increased to $7.0 million and U.S.$18 million, respectively. The acquisition was then fully drawn to fund the acquisition of McKernan. The due dates of the revolving and acquisition credit facilities are annual in nature and mature on June 3, 2008. On June 3, 2008 Richards Packaging converted the then outstanding balance of the revolving and acquisition credit facilities into a new term loan facility bringing the total term loan to U.S.$52 million and providing up to U.S.$10 million in credit for future acquisitions. The interest premium over LIBOR, or prime rate, was increased by 0.75% to reflect current market conditions. The due date of the revolving and acquisition credit facilities were extended to June 3, 2009 and the term loan was extended to June 3, 2011. On November 30, 2008 U.S.$1 million of the term loan was repaid. On December 10, 2008 the acquisition credit facility was cancelled and additional covenant relief was provided with the interest premium over LIBOR increasing an additional 1.00%. In 2009, $7,731 of the term debt was repaid and on July 31, 2009 Richards Packaging converted the U.S. denominated term loan to Canadian denominated debt at U.S./Cdn.$0.923. In addition, in 2009 the interest premium increased 0.5% on the revolver facility. The term loan credit facility was $48 million at December 31, 2010. On May 31, 2010, Richards Packaging refinanced the term and revolving credits and removed one of the three lenders from the lending syndicate. The effect was to decrease the interest premium by 0.75% and extend both the term and revolving credit maturities to May 31, 2013. The term loan credit facility was $48 million drawn at December 31, 2010. As at December 31, 2010, the revolving credit facility was not drawn.

Richards Packaging's credit facilities are subject to a number of covenants and restrictions including the requirement to meet certain financial ratios, most notably the leverage ratio. The leverage ratio covenant is 3.25 times until June 30, 2009 and is reduced to 2.75 times as at September 30, 2009. As of December 31, 2010 our leverage ratio was 2.16. In order to ensure we achieved our target of 2.50 times leverage ratio by September 30, 2009, beginning in March 2009, distributions were temporarily suspended. In addition, the Fund is required to maintain a fixed charge coverage ratio of greater than 2.50 times and a minimum net worth of $70,000. As collateral for the revolving, acquisition and the term loan, Richards Packaging has provided a first charge over all its assets. See also "Long Term Debt in the Consolidated Financial Statements" in the Annual Report.

Purchase and Sale Agreement

On October 31, 2007**,** Richards US purchased all the outstanding shares of McKernan for U.S.$30 million. The agreement specifies details of the acquisition including consideration and the representations, warranties, indemnities and related limitations.

Interests of Experts

The Fund's auditors are PricewaterhouseCoopers LLP who have prepared an independent auditor's report dated March 4, 2011 in respect of the Fund's consolidated financial statements as at December 31, 2010 and 2009 and for each of the years then ended. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Fund within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Audit Committee Information

Audit Committee Terms of Reference

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

Composition of the Audit Committee

Wayne McLeod, Donald Wright, Rami Younes and Derek Ridout are currently members of the Audit Committee. All members are independent.

Relevant Education and Experience

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

Name and professional designation	Experience
Wayne McLeod, FCA, MBA Chairman	Director positions on various boards of directors. Former President, Chief Executive Officer and Chairman of the Board of CCL Industries Inc.
Donald Wright	Director positions on various board of directors and is currently President and CEO of Winnington Capital Group Inc. Former Deputy Chairman of TD Bank Financial Group Former Chairman and Chief Executive Officer of TD Securities Inc.
Rami Younes	Former President of CCL Container, a division of CCL Industries Inc.
Derek Ridout	Director positions on various boards of directors. Former Chief Executive Officer of Perigee Investment Counsel Inc.

Pre-approval Policies and Procedures

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

External Auditor Service Fees

	2010	2009
Audit Fees	$244,000	$217,500
Audit-Related Fees	none	none
Tax Fees	$73,500	$70,000
All Other Fees	$30,000	none
	$347,500	$287,500

The tax fees relate to US tax compliance and restructuring fees.

Additional Information

Additional information relating to the Fund may be found on SEDAR at www.sedar.com or Richards Packaging's website at www.richardspackaging.com. Additional information, including Trustee's, directors' and officers' remuneration, principal holders of the Fund's securities and securities authorized for issuance under equity compensation plans is contained in the Fund's information circular for its annual meeting of unitholders to be held on May 13, 2011. Additional financial information is provided in the Fund's audited consolidated financial statements for the year ended December 31, 2010 and in Management's Discussion and Analysis contained in the 2010 Annual Report. A copy of such documents and this Annual Information Form are available on SEDAR at www.sedar.com and may be obtained upon request made to Globe and Mail Annual Report Services at 1-800-965-6199 or customerservice@wilink.com.

Audit Committee Information-Schedule A

Audit Committee – Terms of Reference

Role of the Audit Committee

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

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

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

Duties and Responsibilities

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

Financial Information and Reporting

- Review all financial statements and management discussions and analysis including, interim financial statements, annual audited financial statements, financial statements for use in prospectuses or other offering documents and statements required by regulatory authorities. Particular attention should be made to:
    - compliance with applicable accounting and auditing standards
    - any significant changes in accounting principles and practices
    - presentation and impact of significant transactions
    - material judgmental areas

- Review prior to release of all public disclosure documents containing audited and unaudited financial information extracted or derived from financial statements, including any earnings press release, annual information form and the management information circular.

- Review with management, the external auditors and if necessary with legal counsel, any litigation, claim or contingency, including income tax correspondence or assessments, that could have a material effect upon the financial position or operating results, and the manner in which these matters have been disclosed in the financial statements.

Internal Controls

- Review management’s programs and policies regarding the adequacy and effectiveness of internal controls over the accounting and financial reporting systems.

- Review audit letters of the external auditors or summaries of material items in the letters and management’s responses thereto.

External Audit

- Review the nomination of external auditors, and recommend external auditors to be appointed and the compensation of external auditors to the Board of Trustees. In this regard, it is noted that the external auditors are accountable to the Audit Committee as representatives of the Unitholders, but are also ultimately accountable to the Board of Trustees.

- Evaluate the audit services provided by the external auditor, pre-approve all audit fees and recommend to the Board of Trustees, if necessary, the replacement of the external auditor

- Pre-approve any non-audit services to be provided to the Fund and its investments by the external auditor and the fees for those services

- Review the nature and scope of the annual audit proposed by the external auditors and management.

- Review, at least annually, the relationships between the Fund and the external auditor in order to establish the independence of the external auditor.

Risk Management

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

Compliance

- Review the Fund’s financial reporting procedures and policies to ensure compliance with all legal and regulatory requirements and to investigate any non-adherence to those procedures and policies.

- Oversee the investigation of allegations of fraud, illegal acts and conflicts of interest.

Other

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

Composition and Procedures

Size

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

Qualification

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

Meetings

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

Review of Financial Statements

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

Review of CEO and CFO Certification Process

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

Evaluation

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