



# **SUN-RYPE**

## **PRODUCTS LTD.**

**Annual Information Form**  
For the year ended December 31, 2006

Dated: February 28, 2007

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The following documents are referred to in this Annual Information Form:

- a) Sun-Rype Products Ltd. (“Sun-Rype” or the “Company”) Management’s Discussion and Analysis for the year ended December 31, 2006 (the “MD&A”); and
- b) Sun-Rype’s audited financial statements for the year ended December 31, 2006 (the “2006 Financial Statements”).

The MD&A and the 2006 Financial Statements in their entirety are incorporated by reference in, and form part of, this Annual Information Form. The MD&A and the 2006 Financial Statements may be found on the Sun-Rype website at [www.sunrype.com](http://www.sunrype.com) and are also filed on the Canadian Securities Administrators website at [www.sedar.com](http://www.sedar.com).

Unless otherwise specified, this Annual Information Form presents information as of December 31, 2006.
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### Caution Regarding Forward Looking Statements

From time to time Sun-Rype may make written and oral forward looking statements included in this Annual Information Form, in other filings with the Canadian Securities Administrators, in reports to shareholders, in press releases and in other communications. All statements in these documents that do not directly and exclusively relate to historical facts constitute forward looking statements. These statements represent Sun-Rype’s intentions, plans, expectations and beliefs, and are subject to risks, uncertainties, and other factors, of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward looking statements. Sun-Rype disclaims any intention or obligation to update or revise any forward looking statements as a result of new information, future events or otherwise.

## **ITEM 1: CORPORATE STRUCTURE**

The Company was incorporated in the name of BC Fruit Processors Ltd. on May 13, 1946, under the British Columbia *Company Act*, and on April 2, 1959, changed the name of the Company to Sun-Rype Products Ltd. Sun-Rype is now governed by the British Columbia *Business Corporations Act*, which replaced the *Company Act* in March 2004. In November 1996, Sun-Rype became a public company and the common shares of the Company are listed and trade on the Toronto Stock Exchange (“TSX”) under the symbol “SRF”.

The Company was operated as a co-operative for over 40 years with its profits periodically distributed to growers. During this period of operation, the Company’s capital structure consisted of an authorized capital of 10,000 voting shares with a par value of \$1 per share and the British Columbia Fruit Growers’ Association (“BCFGA”) held ownership of Sun-Rype on behalf of the fruit growers of the Okanagan Valley. Nine shares, representing this ownership, were held by the BCFGAs, and Sun-Rype’s board of directors during this time consisted solely of grower representatives.

In 1993, Sun-Rype completed a capital restructuring in order to facilitate the distribution of equity shares to individual growers. The existing capital was restructured to provide Class “A” Multiple Voting Non-Participating Shares (the “Class A Shares”), Class “B” Subordinate Voting Shares (the “Class B Shares”) and Class “C” Preference Shares (the “Class C Shares”). The original nine shares, held by the BCFGAs, were designated as Class A Shares having 50 million votes each. The Class B Shares were created as fully participating shares with one vote each. In November 1996, the Class B Shares were listed and began trading on the TSX.

Sun-Rype’s articles were amended several times to provide for the restructuring described above. In May 2000, the memorandum and articles were further amended to cancel the authorized Class A Shares, which had been redeemed by the Company in December 1999, and to remove the rights and restrictions and all references in the articles to them. This amendment to the articles also re-designated the Class B Shares as common shares and the Class C Shares as preference shares. In 2003, the articles were again amended to replace the staggered two-year term for directors with an annual election of directors by shareholders. In May 2005, the Company cancelled its authorized preference shares and its existing articles, and then adopted new articles to comply with the new British Columbia *Business Corporations Act*.

Sun-Rype’s registered and head office is located at 1165 Ethel Street, Kelowna, British Columbia (“BC”), V1Y 2W4.

## **ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS**

### **Overview**

Sun-Rype is western Canada’s largest fruit-based beverage and food manufacturer and marketer with net sales of \$130.6 million in 2006. The Company operates some of the most sophisticated processing and packaging technology in North America and employs approximately 400 people. Sun-Rype’s sole manufacturing facility and headquarters are located in Kelowna, BC, in the heart of the premier fruit-growing district of western Canada’s Okanagan Valley. The Kelowna plant also houses research and development facilities, marketing and administrative support functions.

Since its inception, the primary business of Sun-Rype has been the manufacturing, marketing and sale of fruit juice and fruit-based food products. In more recent years, Sun-Rype has capitalized upon its brand strength and competitive advantages in manufacturing and marketing to successfully diversify its branded product portfolio into numerous 100% juice and juice blends, juice-based beverages and 100% fruit-based snack foods.

All of Sun-Rype's beverage and food products are distributed extensively in western Canada while all of its food products and a select offering of 100% juice products are distributed in central and eastern Canada. Beverage and food products are distributed through grocery, club, mass merchandising and drug store channels and are marketed primarily under the Sun-Rype brand, which consistently ranks as one of the top 15 beverage brands in Canada<sup>1</sup>.

### **Three-Year History**

During the three-year period ended December 31, 2006, Sun-Rype has posted increased net sales and earnings year over year with net sales increasing 13.4% and earnings 24.2% from 2004 to 2006. The Company has driven sales and profitable growth with a continued emphasis on the wholesome goodness of 100% juices and 100% fruit snacks; geographical expansion with differentiated, unique products; capacity utilization through contract manufacturing; and a commitment to higher performance through continuous improvement initiatives throughout the Company. New product innovations are important to compete successfully in the food and beverage market in Canada and Sun-Rype has continued to add innovative products in each of the last three years.

#### **2004**

In 2004, Vita Burst, a single-serve product made with fruit juices from concentrate with 11 essential vitamins, was introduced to the western Canadian marketplace. FruitSource, a new line of bars with 100% fruit or 100% fruit plus veggies, was launched nationally in 2004.

In the second quarter of 2004, the Company began to pay quarterly dividends to shareholders for the first time. Also in 2004, new beverage packaging equipment was installed and excess land was sold.

#### **2005**

In late 2004 and early 2005, Sun-Rype started to distribute a limited selection of unique juice beverage products in the central and eastern Canadian market. Previously, only food products were distributed nationally. In 2005, Fruit Plus Essential Nutrients, a 1-litre combination fruit juice and soy beverage product, was launched in western Canada followed by another new 1-litre beverage, Fruit Plus Vitamins & Minerals to join Fruit Plus Veggie, a 100% juice product that was launched in 2003. Also in 2005, the Company continued to enhance its supply chain capabilities by implementing new bar coding technology in its warehousing operations.

In September 2005, the Company announced it had signed an agreement to manufacture fruit-based snack bars for a large multi-national food and beverage company for distribution in the United States under their brand name for a three-year term. Similar to Sun-Rype's own branded products, there is no guarantee these products will succeed in the marketplace. Hence, as with other third party manufacturing agreements, it does not contain any guarantees of minimum volume purchases. Its significance to Sun-Rype will depend upon the volume of orders placed by the customer according to its annual product requirements, which can fluctuate from year to year.

#### **2006**

Sun-Rype continued to add innovative products in 2006 with the introduction of Squiggles, a new interactive 100% fruit snack. The Company also focused on improving the operational efficiency of its food production line, completed a reorganization of its sales force and consolidated its position as a national supplier of food and beverage products to its customers.

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<sup>1</sup> ACNielsen Beverage Study, Brand Ranking, National All Channels, 52 weeks ended September 2, 2006

## **ITEM 3: DESCRIPTION OF THE BUSINESS**

### **Industry Overview**

Sun-Rype is a fully integrated manufacturer and marketer of 100% juice, juice-based drinks and 100% fruit-based snack products and competes with other manufacturers, co-packers and brand marketers for shelf space primarily in the grocery store, club store, mass merchandising and drug store distribution channels. The grocery business in Canada continues to develop across all four channels with large retailers, both national and regional, dominating the market. A large number of independent grocery chains, with smaller regional market penetration, continue to play an important role in their respective markets.

These four main distribution channels have undergone dynamic change over the past decade with national consolidation and blurring of these channels being the key factors. Traditional grocery retailers are consolidating on a national basis and are offering more general merchandise with full service pharmacies, while national mass merchandisers, drug and club retailers are expanding their grocery offerings resulting in increased competition. The top ranked branded manufacturers benefit from this expanding market place, but also face increased pressure to keep costs down, as retailers demand aggressive pricing to enhance their ability to compete.

Today's consumer is time starved, more sophisticated, and demands higher quality, improved service and selection at lower costs. With the growth of private label and increased multi-national branded competition, it is imperative that manufacturers continue to innovate and develop brand strategies to differentiate their offerings to maintain significant market share in their respective categories.

### **Business Overview**

Sun-Rype is in the food and beverage business. In terms of overall product mix, 73.3% (2005 - 72.3%) of net sales were from beverage products and 26.7% (2005 - 27.7%) were from food products. Sales of the Company's own branded food and beverage products represent 90.0% of net sales while contract manufacturing sales (co-packing, the production of food and beverage products for other companies) represent the balance of 10.0% of net sales (2005 - 11.6%).

Sun-Rype produces pure juices, which are either pressed from process apples (Blue Label Apple Juice) or made from 100% juice concentrates. It has a small and declining number of other beverages that are not 100% juice. The majority of beverage sales are to the western Canadian retail trade; however, in 2005, Sun-Rype started distribution of a few select beverage products, including 100% juice and Fruit Plus products, to central and eastern Canada. The majority of beverages are produced at the Kelowna plant, with certain product and package formats outsourced for manufacturing by third parties. Sun-Rype's 100% fruit-based snacks, which are manufactured at Sun-Rype's Kelowna plant, are sold on a national basis through all major channels of distribution.

### **Principal Markets and Distribution**

Historically, Sun-Rype's principal market has been in western Canada although branded food sales have been growing in central and eastern Canada since 1997. Contract manufacturing sales have also been established in international markets. Sun-Rype's products are the brand leaders in the Juice, Drinks and Nectars ("JDN") category of the ready-to-serve beverage market within the western Canadian grocery marketplace, and the leading brand nationally in the Fruit Snacks and Leathers category.

Sun-Rype's customer mix consists mainly of grocery stores, club stores and mass merchandisers as well as smaller wholesalers and drug stores. Sun-Rype's ten largest customers comprise the majority of net sales while the remainder is sold to other wholesale grocery channel customers, alternative channel and other contract manufacturing sales.

Sun-Rype has dedicated Customer Development Managers who sell to all major customer head offices in western Canada and Ontario. In this same market, Sun-Rype uses an outsourced merchandising service to call on and represent the Company in individual retail grocery stores. In the Quebec and Maritime markets, the Company uses third party brokers who represent Sun-Rype's products at the customers' head offices as well as at the individual store level.

Sun-Rype prepares customer plans for its products and works with each retailer to maintain overall shelf management within a given product category. Sun-Rype also works with each retailer to develop co-operative advertising and product support plans. Under these plans, Sun-Rype provides financial support to retailers for promotional activities such as end-aisle displays and flyer advertisements.

Recognizing that the market potential for some of Sun-Rype's products extends beyond the Company's ability to distribute, Sun-Rype seeks to build strong partnerships to maximize its sales and distribution opportunities. This can take many forms, from the outsourcing of manufacturing to joint marketing and distribution partnerships. These partnerships are designed to fully leverage Sun-Rype's brand strengths and maximize each product line's full potential.

## Products

Sun-Rype markets the vast majority of its products under the Sun-Rype brand and uses certain sub-brands in select product categories and markets. The following table sets forth the key product lines marketed under the Sun-Rype brand.

<b>Product Line</b>	<b>Description</b>
Beverage	Pure Apple Juice - Sun-Rype's flagship product; 100% pure apple juice (not from concentrate) in a variety of sizes and formats. 100% Juices from concentrate in Orange, Grapefruit and other juice blends in a variety of sizes and formats. Juice Blends and Drinks available in a narrow assortment of juice flavours, sizes and formats.
Food	100% Fruit-based snacks in various flavours, sizes and formats.

## Competitive Conditions

There are regional, national and international competitors in the distribution channels of the highly competitive food and beverage market. More than ever, there is a greater focus on health and wellness by consumers in the food and beverages they purchase. Consumers also demand convenience, variety and food safety.

In the JDN market, Sun-Rype's major brand name competitors consist of Pepsico (under the Tropicana brand); McCain (under the brands Niagara, McCain, Old South and Zwak); Coca-Cola (under the brands Minute Maid and 5 Alive); Lassonde (under a number of brands) and Ocean Spray.

Sun-Rype sells its beverage products primarily in western Canada and is the brand leader with a 21.3% market share (by volume) of the western Canadian JDN market, which is estimated at \$526.5 million in retail sales and which grew by 5% in 2006. The next closest branded competitors in this category are Minute Maid with an 18.3% share; Tropicana with a 12.8% share; Ocean Spray with a 7.1% share; and private label store brands with a combined 16.0% share<sup>1</sup>.

<sup>1</sup> ACNielsen MarketTrack, Total West All Channels, 52 weeks ended December 23, 2006

Sun-Rype also competes nationally within the Fruit Snacks and Leathers category, an area of the food business that is estimated at \$125.5 million in Canadian retail sales annually, and is driven by consumer demand for healthy eating and snacking alternatives. Sun-Rype’s overall market share of the Fruit Snacks and Leathers category is 29.3% (by dollar volume)<sup>1</sup>. Sun-Rype’s fruit snack competitors include Pepsico (under the Quaker brand); General Mills Canada Inc.; Kellogg Canada; SunOpta (under the Kettle Valley brand), and various private label and co-manufactured brands.

For 60 years, the Sun-Rype brand has stood for the wholesome goodness of products and quality that starts with premium ingredients and continues through the manufacturing process to the end product. As a result, Sun-Rype is western Canada’s largest branded juice manufacturer. According to the most recent study, Sun-Rype also enjoys a high top-of-mind awareness among all juice brands in this market, including the key brand attributes of taste, purity, quality and trust that consumers value most<sup>2</sup>.

The Company also maintains its investment in the brand with ongoing consumer communication and advertising programs. This ensures that the Sun-Rype brand will remain strong and vital and will continue to grow over time allowing the Company to leverage the brand name into innovative new products and categories.

### **Specialized Skill and Knowledge**

Sun-Rype’s manufacturing department requires specialized skills and knowledge about fruit processing and packaging equipment as well as food safety and handling procedures. A dedicated product research and development staff of food scientists, with laboratory facilities in the Kelowna plant, work closely with the marketing department to develop new product offerings to meet consumers’ demands.

### **Manufacturing Operations**

Sun-Rype’s sole manufacturing facility is located in Kelowna, BC, close to the apple supply of the Okanagan Valley and relatively close to a much larger supply of apples in Washington State.

The Kelowna plant receives and processes apples to produce 100% pure apple juice and apple puree, which is used in fruit snack production. In addition to pure apple juice, Sun-Rype produces a broad range of juices and beverages from juice concentrates.

The plant has modern 1-litre and 200ml Tetra Pak equipment for packaging its beverage products. Third party manufacturers (co-packers) are also used to enable Sun-Rype to market products in a variety of other sizes and packaging formats. All fruit snacks are produced and packaged using dedicated food equipment located at the Kelowna plant.

### **Facilities**

<u>Facilities</u>	<u>Area in Square Feet</u>	<u>Ownership</u>
Administrative Offices, 1165 Ethel Street, Kelowna, British Columbia	25,000	Freehold
Juice and Food Plant, 1165 Ethel Street, Kelowna, British Columbia	145,000	Freehold
Warehouse, 1030 Weddell Place, Kelowna, British Columbia	130,000	Freehold
Sales Administrative Office, Kelowna, British Columbia	5,100	Leased
Sales Office, Calgary, Alberta	2,200	Leased
Sales Office, Markham, Ontario	1,611	Leased

<sup>1</sup> ACNielsen MarketTrack, National All Channels, 52 weeks ended December 23, 2006

<sup>2</sup> Sun-Rype Brand Tracking Study - 2006, R. Barnes Research

## **Raw Materials**

The principal ingredients used in Sun-Rype products are process grade apples and fruit juice concentrates. Sun-Rype sources apples from Okanagan packinghouses and Washington State suppliers, with priority given to utilizing locally produced apples. The price of process grade apples in the Okanagan Valley is based on Washington State market prices, which in turn are related to world apple juice concentrate prices.

The Company has a pricing agreement with local Okanagan Valley packinghouses to supply process grade apples to Sun-Rype. While apple prices and available supply volumes may vary significantly from year to year, the agreement provides for “floor” and “ceiling” prices on process grade apples purchased from the packinghouses.

The average amount of apples processed by Sun-Rype annually for the last five years was approximately 42,000 tons. The amount of apples processed is dependent upon the Okanagan Valley and Washington State crop size, market trends and consumer demand.

Sun-Rype has developed strategies to manage the volatility of process grade apple supply and price. The Company has optimized apple juice manufacturing, puree concentrate capabilities, and maintained alternative apple juice and puree concentrate and bulk apple juice supplies.

## **Environmental Protection**

Sun-Rype maintains an active environmental program that reflects responsible policies and a respect for the environment. Audits are conducted annually (every third year by an external environmental auditor) to ensure that appropriate management policies and practices towards waste management, recycling and reuse of products are maintained. Sun-Rype is subject to environmental regulation by federal, provincial and local authorities. There are currently no environmental orders outstanding or pending against Sun-Rype.

## **Human Resources**

Sun-Rype employed an average of 395 employees in 2006. Employment figures fluctuate throughout the year depending on production requirements.

Teamsters Union Local No. 213 represents Sun-Rype’s unionized employees in manufacturing, transportation and warehousing. The collective agreement between the union and Company expired on August 31, 2006. Negotiations are currently in progress.

In 2006 the human resources department focused on building a high performance organization by leading three key business priorities: leadership development, internal communications and employee relations.

## **Brands, Trademarks and Copyright**

Sun-Rype’s trademark rights are of significant value and the Company protects those rights. The trademark name “Sun-Rype” has been registered since 1952. The Company has also registered the “Sun-Rype” trademark in many other countries.

In addition to the Sun-Rype name, the Company has registered trademark rights in Canada for numerous brands, slogans and trade names. All of the registered trademarks used by Sun-Rype are owned in the name of Sun-Rype Products Ltd.

Sun-Rype also owns the copyright in all works created by its employees in the course of their employment and, where appropriate, obtains assignments of copyright in its favour from outside agencies and independent contractors who create original promotional, advertising and other communications work on Sun-Rype’s behalf.



## ITEM 4: RISK FACTORS

A discussion of risks affecting Sun-Rype and its business appears under the heading “Commitments, Risks and Uncertainties” in Sun-Rype’s MD&A for the year ended December 31, 2006, which discussion is incorporated by reference herein. Sun-Rype’s MD&A for the year ended December 31, 2006, is available on the Sun-Rype website at [www.sunrype.com](http://www.sunrype.com) and on the Canadian Securities Administrators’ website at [www.sedar.com](http://www.sedar.com).

## ITEM 5: DIVIDENDS

No dividends were paid to shareholders prior to June 15, 2004. On that date, the Company paid its first quarterly dividend of \$0.03 per common share to shareholders. Sun-Rype has since paid dividends of \$0.03 per common share each quarter from June 2004 to December 2006. A special dividend of \$1.50 per common share, for a total of \$16,241,000, was paid to shareholders on March 31, 2006, in addition to the regular quarterly dividend.

For each fiscal year set out below, Sun-Rype has declared and paid the following dividends on its common shares:

	<u>Fiscal year-ended December 31</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(in thousands of dollars, except per share data)		
Total Dividend:	\$17,541	\$1,299	\$974
Dividend per Share:	\$1.62	\$0.12	\$0.09

The Company has not announced any formal dividend policy but declares dividends at the discretion of Sun-Rype’s board of directors.

On February 28, 2007, the Company declared a quarterly dividend of \$0.03 per common share, for a total of approximately \$325,000, which will be paid March 15, 2007, to shareholders of record at March 9, 2007.

## ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE

Sun-Rype’s authorized capital consists of 100,000,000 common shares without par value. The holders of the common shares are entitled to receive notice of, to attend and to cast one vote per common share held at all meetings of the holders of the common shares. The holders of the common shares are entitled to receive any dividends declared by the board of directors on the common shares. The holders of the common shares are entitled to receive, equally on a share-for-share basis, the remaining assets of the Company in the event of liquidation, dissolution or winding up of the Company or other distribution of assets and property of the Company among its shareholders for the purpose of winding up its affairs.

At February 28, 2007, there were 10,827,600 common shares issued and outstanding.

## ITEM 7: MARKET FOR SECURITIES

Sun-Rype’s common shares are listed and posted for trading on the Toronto Stock Exchange (the “TSX”) under the trading symbol “SRF”. The following table presents the monthly price range (in Canadian dollars) per share and trading volume of Sun-Rype’s common shares on the TSX during 2006.

SRF Common Shares	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
High Price \$	12.29	12.00	14.14	12.25	12.55	12.15	12.50	12.55	12.55	13.20	13.19	13.25
Low Price \$	11.75	11.50	11.25	11.25	11.50	10.95	11.65	11.85	12.00	12.25	12.31	12.80
Volume of Shares Traded	367,653	51,433	355,762	103,824	79,862	86,870	63,486	41,217	64,891	41,786	45,627	38,079

## ITEM 8: DIRECTORS AND OFFICERS

### Directors

The following table sets forth the directors of Sun-Rype as at the date of this Annual Information Form.

<u>Name, Position and Residence</u>	<u>Expiration of Term</u>	<u>Prior Service as Director</u>	<u>Principal Business or Occupation During the Last Five Years</u>
Jess Alfonso <sup>(1)(4)</sup> Director, Vancouver, BC, Canada	2007 AGM	2001 – present	Vice President and Director, Pacific Opportunity Capital Ltd. (2000-present) Owner and President of Seamark Development Corp. (1980-present)
Robert Dawson <sup>(1)(2)</sup> Director, Cawston, BC, Canada	2007 AGM	1981 – present	Orchardist/Businessman Owner and President of Dawson Orchards Ltd.
James Eccott <sup>(2)(3)</sup> Director, Kelowna, BC, Canada	2007 AGM	1999 – 2001 & 2003 – present	Corporate Director (2001 – present) President and CEO, Dia Met Minerals Ltd. (1992 – 2001)
Merv Geen <sup>(2)(3)(4)</sup> Director, Chairman of the Board, Rock Creek, BC, Canada	2007 AGM	1987 – 1990 & 1992 – present	Orchardist/Businessman Chairman of the Board, Sun-Rype (1992 – present)
Thomas Knowlton <sup>(3)(4)</sup> Director, Toronto, Ontario, Canada	2007 AGM	1999 – 2001 & 2003 – present	Corporate Director (2005 – present) Dean, Faculty of Business, Ryerson University (2000 – 2005)
Donald Selman <sup>(1)(3)</sup> Director, Richmond, BC, Canada	2007 AGM	2001 – present	Consultant to Wolrige Mahon Chartered Accountants Senior Partner Wolrige Mahon Chartered Accountants (1984-2006)
Eric Sorensen Director, President and Chief Executive Officer, Kelowna, BC, Canada	2007 AGM	2004 – present	President and Chief Executive Officer, Sun-Rype (2004 – present) President, Sorensen Consulting Ltd. (2002 – 2004) President, Adams Canada and Vice President, Pfizer Canada Inc. (2000 – 2001)
Douglas Souter <sup>(2)(4)</sup> Director, West Vancouver BC, Canada	2007 AGM	2006 – present	Businessman (retired) President and CEO, Canadian Fishing Co. (a division of The Jim Pattison Group) (1982-2005)

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation & Corporate Governance Committee.
- (3) Member of the Executive Committee.
- (4) Member of the Capital Allocation Committee.

Directors are elected annually and hold office until the next annual meeting of shareholders.

### **Principal Occupations**

*Jess Alfonso:* Mr. Alfonso was first elected to the board in 2001 and serves on Sun-Rype's Audit Committee and the Capital Allocation Committee. He is the owner and President of Seamark Development Co. and also Vice President and a director of Pacific Opportunity Capital Ltd., a merchant banking and venture capital company. Mr. Alfonso holds a Masters of Science degree in Industrial Administration from Purdue University, Indiana.

*Robert Dawson:* A non-practicing lawyer, Mr. Dawson has been a director of Sun-Rype since 1981, and is a member of Sun-Rype's Audit Committee and Compensation & Corporate Governance Committee. He is the owner and President of Dawson Orchards Ltd. and was the Chairman of the Okanagan Valley Tree Fruit Authority, a BC Crown Corporation, from 1990 to its wind up in March 2003. Mr. Dawson is also Chairman of the Okanagan Similkameen Co-operative Growers Association and a director of the Okanagan Plant Improvement Co.

*James Eccott:* Mr. Eccott served as a director and Vice Chairman of the Sun-Rype board from 1999 to 2001 and was re-elected to the board in May 2003. He is chairman of Sun-Rype's Compensation & Corporate Governance Committee and also serves on the Executive Committee. He is a retired businessman having previously been President and Chief Executive Officer and a director of Dia Met Minerals Ltd. from 1992 to 2001. A resident of Kelowna since 1971, Mr. Eccott also serves as Chairman and a director of both Northern Air Support Ltd. and Diamondex Resources Inc., as well as a director on the boards of Bearclaw Capital Corporation and Prism Resources Inc., and is on the UBC Board of Governors. Mr. Eccott holds a Bachelor of Commerce degree from the University of British Columbia.

*Merv Geen:* Mr. Geen served as a director of the Company from 1987 to 1990 and was re-elected in 1992. He has been Chairman of the board since 1992. He is also a director of Kettle Mountain Ginseng Co. Ltd., the Association of Ginseng Growers of BC and a former director of BC Tree Fruits Ltd. and BC Fruit Packers. An orchardist, Mr. Geen also serves as chairman of Sun-Rype's Executive Committee and is a member of the Compensation & Corporate Governance Committee and the Capital Allocation Committee.

*Thomas Knowlton:* A resident of Toronto, Ontario, Mr. Knowlton served as a director of Sun-Rype from 1999 to 2001. He was reappointed to the board in August 2003 and is a member of Sun-Rype's Executive Committee and chairman of the Capital Allocation Committee. He retired in 2005 as Dean of the Faculty of Business at Ryerson University and was formerly President of Kellogg North America and Executive Vice President of the Kellogg Company. Mr. Knowlton holds an MBA degree from the University of Windsor. He also serves on the board of William Wrigley Jr. Company.

*Donald Selman, F.C.A.:* Mr. Selman was first elected to the Sun-Rype board in 2001 and is chairman of the Company's Audit Committee and a member of the Executive Committee. Mr. Selman was a senior partner of Wolrige Mahon, a chartered accounting firm located in Vancouver, BC, prior to his retirement in 2006 and now provides consulting services for the firm. In addition to being a chartered business valuator, he obtained his CA designation in 1958 and a Law Degree from the University of British Columbia in 1960. Mr. Selman also serves on the board of Canfor Corporation.

*Eric Sorensen:* Appointed President and Chief Executive Officer and a director of the Company in March 2004, Mr. Sorensen's business experience in the consumer packaged goods industry includes executive roles at Pfizer Canada Inc., Warner-Lambert Canada Inc., Adams Canada Inc., Kraft Canada Inc. and the Nabob Coffee Company. He was formerly the President of Warner-Lambert Canada Inc. and Vice President of Pfizer Canada Inc. Most recently, he was President of Sorensen Consulting Ltd. Mr. Sorensen is a graduate of the British Columbia Institute of Technology, Business Administration (Marketing).

*Douglas Souter:* Mr. Souter was elected to the Sun-Rype board in 2006 and serves on the Company's Capital Allocation and Compensation & Corporate Governance Committees. A resident of West Vancouver, BC, he retired in 2005 as President and Chief Executive Officer of the Canadian Fishing Company (a division of The Jim Pattison Group), a position he held from 1982. Mr. Souter's business experience in the food processing industry includes executive positions with Fraser Valley Foods, Kanaway Seafoods Inc., Allied Pacific Processors, Alaska General Seafoods and Icycle Seafoods BC Ltd. Mr. Souter also serves on the board of Westshore Terminals Ltd. He holds a Bachelor of Arts degree in Economics from the University of British Columbia.

## Officers

The following table sets forth the officers of Sun-Rype as at the date of this Annual Information Form who are not members of the board of directors.

<u>Name and Residence</u>	<u>Principal Business or Occupation</u>
Cameron Johnston Kelowna, BC, Canada	Vice President, Marketing 2004 - present
Andrea Krause Kelowna, BC, Canada	Vice President, Human Resources 2005 - present
Dave McAnerney Kelowna, BC, Canada	Vice President, Manufacturing 2005 - present
Gary Pearson Kelowna, BC, Canada	Chief Financial Officer and Vice President, Finance 2006 - present
Gail Prichard Kelowna, BC, Canada	Corporate Secretary 1997 - present
Cindy Wilker Westbank, BC, Canada	Vice President, Supply Chain 2004 - present

## Principal Occupations

The following are the previous principal occupations, within the preceding five years, of the officers of Sun-Rype who have not served in his or her capacity as an officer of Sun-Rype for more than five years.

*Cameron Johnston:* Mr. Johnston was appointed Vice President, Marketing in November 2004, after having been Sun-Rype's Director of Marketing from 1999 to 2004 and Marketing Manager - Food Category from 1995 to 1999. Prior to that, he held positions in sales, marketing and operations management for Okanagan Dried Fruits, a company acquired by Sun-Rype in 1994. Mr. Johnston holds a Bachelor of Business Administration degree from Simon Fraser University.

*Andrea Krause:* Ms. Krause joined Sun-Rype as Vice President, Human Resources in March 2005. Prior to her appointment, she was Commercial Human Resources Manager - West for Labatt Breweries of Canada, after joining Labatt in 1989 and holding progressively more senior positions in that organization. Ms. Krause holds a Bachelor of Commerce degree from the University of Saskatchewan as well as Certified Human Resource Professional (CHRP) and Certified Compensation Professional (CCP) designations.

*Dave McAnerney:* Mr. McAnerney was appointed Vice President, Manufacturing in November 2005. He was formerly the Plant Manager of the Columbia Brewery in Creston, BC, a position he assumed in 2001. From 1987 to 2001, he held progressively more senior positions with Labatt Breweries of Canada. Mr. McAnerney holds a Bachelor of Applied Science in Chemical Engineering (Honours) degree from the University of Waterloo.

*Gary Pearson, C.A.:* Mr. Pearson, a chartered accountant, was appointed Chief Financial Officer and Vice President Finance of Sun-Rype in August 2006. From 2004 to 2006, he was the Treasurer of Tolko Industries Ltd. in Vernon, BC, a position he was promoted to following the completion of Tolko's takeover of Riverside Forest Products Limited, where he held several senior finance positions over an eight-year period. Mr. Pearson holds a Bachelor of Commerce degree in Accounting and Management Information Systems from the University of British Columbia.

*Cindy Wilker:* Ms. Wilker joined Sun-Rype as Vice President, Supply Chain in November 2004. Prior to her appointment, she was a business consultant and formerly Vice President, Operations for BC Hot House Foods Inc., a position she held from 1999 to 2003 after joining that company in 1996. Ms. Wilker holds a Bachelor of Commerce degree from the University of British Columbia.

#### **Director and Officer Shareholdings**

To the knowledge of Sun-Rype, the directors and officers, as a group, beneficially own, directly or indirectly, or exercise control or direction over, approximately 534,535 common shares or 4.9% of the issued and outstanding common shares of Sun-Rype as at the date of this Annual Information Form.

#### **ITEM 9: LEGAL PROCEEDINGS**

Reference is made to Note 12(d) of Sun-Rype's financial statements for the year ended December 31, 2006, which are incorporated by reference herein. The 2006 Financial Statements are available on the Sun-Rype website at [www.sunrype.com](http://www.sunrype.com) and on the Canadian Securities Administrators' website at [www.sedar.com](http://www.sedar.com).

#### **ITEM 10: TRANSFER AGENT & REGISTRAR**

Sun-Rype's Transfer Agent & Registrar is Computershare Investor Services Inc., with offices at 510 Burrard Street, 3rd Floor, Vancouver, BC, V6C 3B9 and 100 University Avenue, 9th Floor, Toronto, ON, M5J 2Y1.

#### **ITEM 11: MATERIAL CONTRACTS**

Sun-Rype is not a party to any material contracts outside of the ordinary course of business.

#### **ITEM 12: INTERESTS OF EXPERTS**

Deloitte & Touche LLP were auditors of the Company for the year ended December 31, 2006, and prepared and executed the audit report accompanying the financial statements for the year ended December 31, 2006.

## ITEM 13: AUDIT COMMITTEE DISCLOSURE

### Audit Committee Charter

The Charter of Sun-Rype's Audit Committee is attached as Appendix "A" to the 2005 Annual Information Form for Sun-Rype, which may be obtained on the Canadian Securities Administrators website at [www.sedar.com](http://www.sedar.com) or Sun-Rype's website at [www.sunrype.com](http://www.sunrype.com).

### Composition of Audit Committee

The Audit Committee of the board of directors of Sun-Rype consists of Donald Selman as chairman, Jess Alfonso and Robert Dawson. Each member of the Audit Committee is independent and none receives, directly or indirectly, any compensation from Sun-Rype other than for services as a member of the board of directors and its committees. All members of the Audit Committee are financially literate as defined under Multilateral Instrument 51-110 - Audit Committees. In considering the criteria for determining financial literacy, the board looks at the ability of a director to read and understand Sun-Rype's balance sheet, income and cash flow statements.

### Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows: Mr. Selman, F.C.A., is a consultant to Wolrige Mahon, a chartered accounting firm, having been a senior partner of that firm from 1984 until his retirement in 2006. He specializes in acquisitions, business valuations, litigation support and forensic accounting, and holds several professional designations, including Chartered Accountant and Chartered Business Valuator. Mr. Selman has served as the chair of Sun-Rype's Audit Committee since 2001 and currently sits on the board of Canfor Corporation. Mr. Dawson, a non-practicing lawyer, has served on Sun-Rype's Audit Committee since 1999. The owner and President of Dawson Orchards Ltd., he is also Chairman of the Okanagan Similkameen Co-operative Growers Association and a director of the Okanagan Plant Improvement Co. Mr. Alfonso is owner and president of Seamark Development Co. and is also Vice President and a director of Pacific Opportunity Capital Ltd., a merchant banking and venture capital company. Mr. Alfonso holds a Masters of Science degree in Industrial Administration from Purdue University, Indiana, and has served on Sun-Rype's Audit Committee since 2001.

### Pre-approval Policies and Procedures

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the independence of the shareholders' auditors and has concluded that such services are compatible. Audit and other non-audit services requires pre-approval by the Audit Committee.

### Auditors' Fees

The following table presents by category the fees billed by the Company's external auditor, Deloitte & Touche LLP, for the last two years:

Fee category	2006	2005
Audit fees	\$160,475	\$119,249
Audit-Related fees	\$ 46,450	\$ 53,255
Tax fees	\$ 18,000	\$ 36,519
All Other fees	\$ 3,430	\$ 2,517
<b>Total</b>	<b>\$228,355</b>	<b>\$211,540</b>

The nature of each category of fees is described below.

**Audit fees**

Audit fees are for professional services rendered by the auditors for the audit of the annual financial statements of Sun-Rype and audit of Ecology Reports.

**Audit-related fees**

Audit-related fees are for services provided in connection with statutory and regulatory filings or engagements, reviews of Sun-Rype's interim unaudited financial statements, and for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit fees item above.

**Tax fees**

Tax fees are for tax compliance and other tax consulting including the preparation of federal and provincial corporate income tax returns and dealing with re-assessments.

**All Other fees**

Other fees are for miscellaneous advisory services.

**ITEM 14: ADDITIONAL INFORMATION**

Further information, including additional copies of this Annual Information Form together with a copy of any document incorporated by reference herein; the 2006 MD&A; the 2006 Financial Statements and accompanying report of the auditor; Sun-Rype's most recent interim financial statements; and the Information Circular for Sun-Rype's Annual General Meeting to be held May 11, 2007, may be obtained upon request from Sun-Rype's Corporate Secretary at [investor@sunrype.com](mailto:investor@sunrype.com), or on Sun-Rype's website at [www.sunrype.com](http://www.sunrype.com), or by phoning toll-free 1-800-668-7211, or by writing to the Corporate Secretary, Sun-Rype Products Ltd., 1165 Ethel Street, Kelowna, BC, V1Y 2W4.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Sun-Rype's shares, and Sun-Rype's statement of corporate governance practices and description of board committees, is contained in the Notice of Annual General Meeting of Shareholders and Information Circular dated March 21, 2007, issued in connection with the Annual General Meeting of Shareholders to be held on May 11, 2007.

All additional information referred to in this Annual Information Form may also be found on Sun-Rype's website at [www.sunrype.com](http://www.sunrype.com) and on the Canadian Securities Administrators website at [www.sedar.com](http://www.sedar.com).