ITEM 1. COVER PAGE

PRT FOREST REGENERATION INCOME FUND

ANNUAL INFORMATION FORM

Financial year ended December 31, 2010

1.1 DATE March 29, 2011

ITEM 2. Table of Contents

Forward Looking Statements and Non GAAP Measures

This discussion contains forward-looking statements that involve risks and uncertainties. These statements relate to, among other things, expectations for future order volumes, pricing, operating costs and other expenditures; the outlook for future energy prices; plans and opportunities for capital spending; and other statements contained in this discussion that are not historical fact. Words such as “anticipate”, “expect,” “potential,” “intends,” “opportunity,” “believes,” “may,” “will” and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs, however, actual events or results may differ materially.

Risks and uncertainties include, but are not limited to, agricultural risks and crop yield; future commodity prices; exchange rate risks; customer credit risks and customer insolvency; liquidity risk; the outlook for the forest industry; the impact of pending changes to income trust taxation; the impact from pending changes in financial reporting to International Financial Reporting Standards (IFRS); and other risks identified from time to time in this annual report and the Fund’s annual information return, prospectus, and other filing documents that are available in electronic form at www.sedar.com or by contacting the Fund directly. Forward-looking statements are based on current expectations and the Fund assumes no obligation to update such information to reflect later events or developments, except as required by law.

Cash Available for Distribution and Distributable Cash Flow are terms used throughout this discussion. Those terms, however, do not have standardized meaning under Canadian Generally Accepted Accounting Principles (GAAP) and may, therefore, not be comparable to similar measures provided by other reporting entities. Amounts reported in this discussion are in Canadian dollars unless otherwise specified.

Readers are cautioned not to place undue reliance on forward looking statements.

ITEM 3: CORPORATE STRUCTURE

ITEM 3.1 Name, Address and Incorporation

PRT Forest Regeneration Income Fund (the “Fund”) is an open ended, single purpose unit trust, created under the laws of the Province of British Columbia, on May 14, 1997 to own all the common shares and subordinated notes of Pacific Regeneration Technologies Inc. (“PRT” or the “Company”), a company amalgamated under the laws of British Columbia. The Fund is restricted to investing in securities of the Company, making distributions to the Trust Unitholders and performing matters incidental thereto.

On July 11, 1997, the Fund acquired all of the shares of PRT from its former shareholders. The Fund owns 100% of the shares and the variable rate unsecured subordinated notes of PRT.

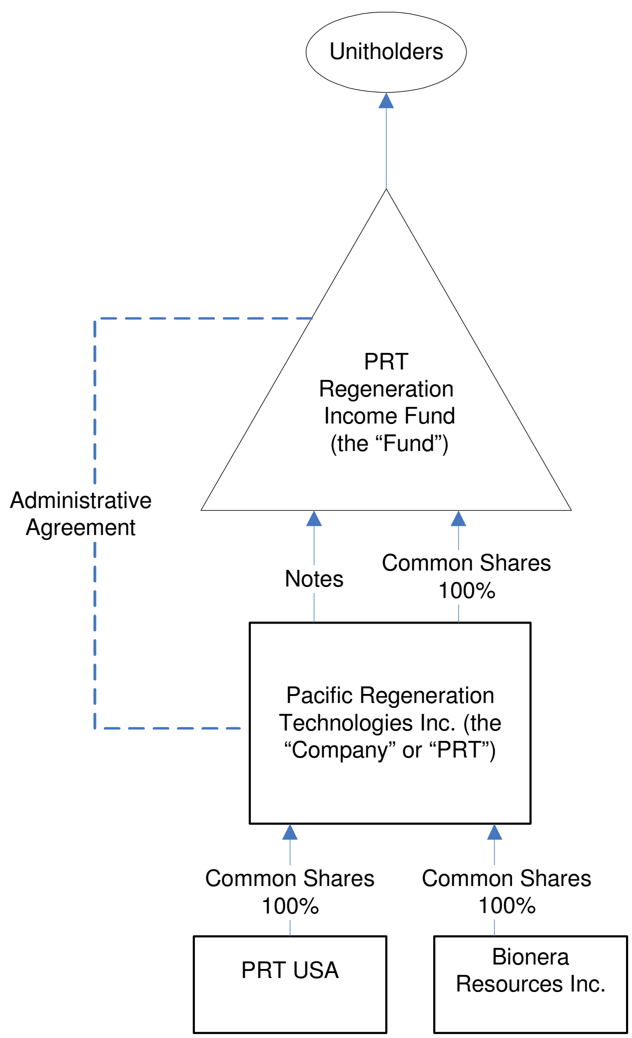
PRT USA Inc., a wholly owned Delaware subsidiary of PRT, was formed on December 20, 2002.

On December 14, 2009, Bionera Resources Inc., a wholly owned British Columbia subsidiary for PRT, was formed under incorporation number BC0868782.

The head and registered office of the Fund and PRT is located at #101-1006 Fort Street, Victoria, British Columbia, V8V 3K4, and the website is www.prt.com.

ITEM 3.2 Inter-corporate Relationships

The following chart illustrates the primary structural and contractual relations between the Unitholders, the Fund, and PRT:



ITEM 4: GENERAL DEVELOPMENT OF THE BUSINESS

ITEM 4.1 Three Year History

PRT is a leading producer of forest seedlings in North America and operates nurseries in British Columbia, Alberta, Saskatchewan, Ontario, and Oregon. In the more than 20 years since its inception, PRT has expanded its markets, capacity, and geographic presence and has grown from six nurseries in British Columbia to a network of 13 nurseries located in Canada and the United States.

As a result of a protracted economic downturn in the Forest Industry, over the past three years, PRT has decreased productive capacity at its nursery sites from 3.2 million seedling blocks[1] in 2007 to 1.8 million blocks in 2010. The decrease is a result of the temporary closure of PRT's Kirkland Lake facility at the end of 2009, and the permanent closures of the Maple Ridge facility during 2009 and Summerland facility at the end of 2009. Additional information on productive capacity can be found in the section entitled "Productive Capacity" of the Fund's Management's Discussion and Analysis dated March 16, 2011, which is incorporated herein by reference.

In addition, during the spring of 2007 PRT closed its Nevada nursery facility to improve crop reliability and economies of scale. The Nevada nursery was an important pilot project stemming from PRT's strategy to develop more energy-efficient growing techniques. Customer orders and capacity were relocated to other PRT facilities.

PRT's Coldstream facility in BC's Okanagan region was temporarily closed in 2008, and reopened and operated in 2009.

Although nursery operations at PRT Kirkland Lake were closed in 2010, cold storage operations at the nursery continued in order to serve local customers. It is anticipated that the nursery will re-open in a limited capacity in 2011.

The PRT Summerland nursery site is leased under a short term agreement, and production has been consolidated with other nearby sites in the Okanagan valley which is expected to minimize disruption to customers.

The closures and site consolidation have demonstrated improved economies of scale in light of the continued downturn in demand through 2010 for tree seedlings across PRT's market areas, while still allowing the Company to provide a high level of localized customer service. Following the closures, the Company has been able to increase overall efficiency because new orders have been produced in lower cost unused capacity at other sites. Further, without the nursery closures, PRT's surplus capacity

---

[1] PRT measures production volumes internally in seedling blocks, which is a uniform measure of growing space represented by a standard Styroblock™ growing container. This measure is considered to be a more meaningful measure of productive capacity because tree sizes vary widely between markets and customers, and tree prices vary accordingly. Throughout the remainder of this document, however, we will generally refer to seedlings grown as the more universally accepted reference for production.

would have exacerbated the industry-wide excess supply of seedling capacity. However, management believes PRT is well positioned for growth when markets recover because of its strong balance sheet and its seedling growing technology, as well as its ability to scale up production capacity at existing sites if required.

Business difficulties in the forest industry have increased competition and margin pressures in the forest seedling market. These factors combined with increasing input costs, particularly for energy, have led PRT to focus on customer service, cost reduction, and expanding markets in new products and geographic regions. Accordingly, PRT has developed innovative ways to lower the costs of seedling production while maintaining a high level of customer service. In recent years, new methods of growing seedlings were developed through trials and other research and development endeavors. The findings of completed trials have demonstrated that certain outdoor growing regimes and specialized automation techniques can result in lower nursery maintenance and energy consumption, and reduced capital requirements while maintaining superior seedling quality.

While growing service contracts for forestry seedling customers accounts for approximately 90% of the Company's business, management has continued to pursue new markets in Canada and the United States to diversify its nursery business base. For example, in 2008, PRT entered the promotional products market in North America with individually packaged and branded tree seedlings. Identifying an opportunity to individually package our environmentally friendly seedlings and market them to promotional product distributors throughout North America, PRT developed our signature line called Global Seedlings in late 2007. Our Global Seedlings are grown, processed and shipped via nurseries in Hubbard, Oregon and Pitt Meadows, British Columbia. In addition to providing the conifer seedling products for the promotional and fundraising markets, in 2009 PRT developed or obtained distribution rights to three more "Grow Green" product lines to market to distributors. They include Lucky Bamboo; Grow Your Own Herbs and Veggies; and FlowerBallz (USA market only). As a result of these added products, Global Seedlings was renamed PRT Promotional Products in 2010.

Additionally PRT has identified promising opportunities related to climate change. Bioenergy is emerging as one of the best ways to produce clean, renewable power. Woody biomass from purpose-grown crops, for instance, is a sustainable, carbon-neutral resource that can help to replace finite fossil-fuel supplies. Woody biomass crops can also be used as soil ameliorators and biological filters for dedicated waste-handling projects or combined energy and waste-disposal systems.

In 2009, we established a new subsidiary, Bionera Resources Inc., to capitalize on these opportunities and leverage our expertise in plant propagation and plantation establishment for the emerging bioenergy sector.

PRT has conducted growing trials of short-rotation intensive-culture (SRIC) woody species, such as poplar and willow, since 1999. We launched our largest project in 2009, a 75-acre crop at our Red Rock Nursery near Prince George, BC. This commercial-scale demonstration project will be used to confirm our preliminary economic evaluation of a SRIC biofuel system. The project includes a high-efficiency, low-emission bioenergy heating system developed in British Columbia. We plan to convert our SRIC crop and locally sourced solid-wood waste into heat for our forest-seedling greenhouses. The bioenergy system should supply approximately 60% of our annual heating requirements at PRT Red Rock and replace approximately 9,000 gigajoules of natural gas consumption. The heating system was completed in December 2010, and, after trials, started up in February 2011.

In the spring of 2009, PRT conducted trials of cranberry seedling production as rooted plants in containers. Certain superior varieties of cranberries have been developed by Rutgers University in the US, and a customer wanted to explore a more reliable and cost-effective way of new plant propagation for these new varieties. After the success of these trials, PRT delivered a test run of approximately 1.3 million cranberry seedlings. Since then, we have further adapted our seedling production techniques and, in 2011, PRT became the first licensed propagator of Rutgers cranberry varieties in western North America, creating the opportunity to cultivate improved cranberry seedlings for growers in this region.

In 2010 PRT produced 130 million seedlings for more than 100 contracted customers located in Canada and the United States, as compared to over 205 million seedlings in 2007. The significant decline in demand over the past three years is a result of a severe downturn in the forest industry, caused by the combined effects of a sharp falloff in US housing starts, and resulting lower lumber prices. However, with a rebound in the forest industry in 2010, primarily as a result of development of the Asian markets for North American lumber, PRT expects to produce between 175 and 190 million seedlings in 2011. The reasons for the decline and expected beginning of recovery are more fully described in the section entitled “Outlook” of PRT Forest Regeneration Income Fund’s Management’s Discussion and Analysis for the year ended December 31, 2010, which section is incorporated herein by reference.

In late December 2008, two nurseries located in the Lower Mainland of British Columbia experienced several days of extremely heavy snowfall followed by rain. As a result of this extremely unusual weather event for the locations, several greenhouse structures collapsed under the weight of the wet snow. During 2009, the Company salvaged most of the affected crops and completed demolition of the collapsed structures. Throughout the year, management worked with the insurer to negotiate a fair settlement of the claim in three parts: structures, crop losses and salvage and demolition. At the end of 2009, the Company had agreed on settlement for the first two parts for $4.7 million which was recorded as receivable at December 31, 2009. In 2010, the Company used $3.7 million of this settlement to extinguish all Canadian bank term debt, Further information on these events are available in note 15 of the Fund’s Annual Financial Statements for the year ended December 31, 2010, and in the section entitled “Operating Results” of the Fund’s Management’s Discussion and Analysis dated March 16, 2011, which are incorporated herein by reference.

Financing for growth initiatives has historically been provided by PRT's amortizing term loan facilities with major Canadian and US banks. Equity financing may be raised to retire term debt if management and the Board consider it advantageous to do so. At the beginning of 2009 the Company had forecast financial results and cash flows for 2009 using its best estimates of market and operating conditions. The Company's five bank covenants include a requirement to maintain a ratio of total debt (excluding the Notes issued under the Trust Deed) to EBITDA less cash taxes and sustaining capital expenditures not to exceed 3.5:1 ("debt to adjusted EBIDTA"). Based on forecasted financial results for 2009, it was estimated that the Company may not generate sufficient adjusted EBIDTA over the remainder of 2009 to maintain the required debt to adjusted EBITDA ratio. As a result, management met with PRT's lender and negotiated a waiver to the covenant for 2009; this waiver was not required in 2009 and consequently expired. However, as a condition of the waiver, the lender indicated that no new term debt advances will be authorized, which could have required management to seek other credit facilities or capital sources should that become necessary. The Company is currently using cash generated from operating activities to fund on-going capital spending in lieu of making distributions, and has, in early 2010, now used a portion of the funds received in the insurance settlement described previously to retire the Company's Canadian bank term debt in the amount of $3.7 million. The Company is currently in compliance with all externally imposed capital requirements, as detailed in note 20 of the Fund's December 31, 2010 financial statements incorporated herein by reference. At the end of 2010, the Company renewed its US bank term debt for the remaining five years of its ten year amortization period, and entered into a new term financing agreement with Farm Credit Canada for $5.5 million to be available to fund future capital expansion as markets recover. No draws on this term line have been made to date.

ITEM 4.2 Significant Acquisitions and Dispositions

The Fund has completed no significant acquisition requiring disclosure under Part 8 of National Instrument 51-102, during 2008 through 2010. Acquisitions and dispositions over the past three years include:

- In the fourth quarter of 2008, PRT announced the permanent closure of its Maple Ridge facility once existing crops are completed, which was accomplished in the third quarter of 2009. Site withdrawal was completed by August 1, 2010.

- In the fourth quarter of 2009, PRT announced the permanent closure of its Summerland facility after crops were completed in the year. Capacity and customer orders from this site have been consolidated to the Company's three other Okanagan Valley nurseries.

Additional financial information on certain of these transactions is included in Notes 6, 7, and 14 of the Fund's Annual Financial Statements for the year ended December 31, 2010, and in the section entitled "Operating Results" of the Fund's Management's

Discussion and Analysis dated March 16, 2011, which are incorporated herein by reference.

ITEM 5: DESCRIPTION OF THE BUSINESS

ITEM 5.1 General

Summary

PRT presently conducts its business in one operating segment and focuses on its principal service, the production of forest seedlings. The Company grows forest seedlings in nurseries in Canada and Oregon.

PRT produces seedlings as a service in accordance with specifications outlined in customer contracts. These specifications define the species, size and timing appropriate to the relevant soil, climatic and topographical conditions of customers' harvesting regions. The growing regime is tailored for each species and stock type to meet customers' expectations. In most cases, the required seed is supplied by the customer or by government owned seed centers.

PRT primarily enters into negotiated contracts, which generally result in a greater understanding of the customer's needs, including their specific product specifications and service preferences, and consequently develops a close working relationship with the customer. Most of PRT's contracts are entered into by March of the year in which the seedlings are sown.

Additional information on the makeup of the business is included in the section entitled "Operating Results" of the Fund's Management's Discussion and Analysis dated March 16, 2011, which is incorporated herein by reference.

(a) Principal markets

The forest industry is important to Canada's economy and accounts for a significant portion of the value of Canada's exports. Enhancing productivity and sustainability of this renewable resource is a high priority for Canada, and generally provincial forest management policies require that reforestation occurs over time. The forest industry manages its forests and reforestation through the process of silviculture. An integral component of silviculture involves ensuring logged areas are reforested, either through natural regeneration, or by planting seedlings appropriate to the geographical area and future harvesting needs. As such, forest seedling production is critical to the forest industry.

Government and forest company participation in the production of seedlings in Canada has declined and is no longer a significant part of the overall seedling production volume and, as a result, the commercial reforestation industry in general has grown significantly over the past 20 years.

Over the past decade or more, the Canadian market for forest seedlings has typically been relatively stable at between approximately 600 to 700 million seedlings per year, over 65% of which are planted in PRT's principal market areas of Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. However, adverse forest industry conditions over the past three years created by the US housing market decline and other factors indicate seedling market volatility has increased, and overall market volumes have declined in this period.

The majority of the seedlings produced in these provinces are grown at commercial nurseries, with a small portion cultivated at a few nurseries owned by forest companies. Commercial nurseries are typically owner-operated while their customer base is primarily concentrated in large forest companies. In the United States, where privately owned forest lands are more prevalent, forest company participation in seedling production is more significant.

The market for forest seedlings in Canada is driven not only by the number of seedlings required by the forest sector, but also the quality, stock type and size of the seedlings ordered. Larger and higher quality seedlings allow forest companies to achieve their reforestation obligations sooner and more reliably and generally command higher prices. While the demand for these larger seedlings has increased over the long-term, this trend has reversed in recent years as cost reduction became more important to customers with the general economic downturn and the significant reduction in North American housing starts. Virtually all of PRT's seedlings are container-grown, which generally increases survival and growth rates after planting compared to bare root (field grown) seedlings. Bare root crops are still extensively grown by many nurseries in the United States.

In an effort to diversify and expand its business base, PRT has had a strategy to penetrate new regional markets in Canada and in some areas of the US. PRT's customers are principally forest companies which contract with PRT to produce seedlings according to their specifications, 7 to 18 months in advance of reforestation.

At the forefront of PRT's current selling strategy are customer support representatives, who develop and maintain close relationships with customers at the regional level, where purchasing decisions are made. Senior management also participates in marketing the Company's services when appropriate.

In 2010 and 2011, PRT estimates its participation as a percentage of its total seedling production in each of these markets as follows:

	Seedling orders by geographic area			
Geographic area	Results for 2010		Anticipated for 2011	
	Seedling orders in millions of trees	Percentage of total PRT production	Seedling orders in millions of trees[1]	Percentage of total PRT production
Saskatchewan and Manitoba	2.6	2%	3	2%
Ontario and New Brunswick	18.2	14%	21	11%
Alberta and Yukon Territories	17.8	14%	26	14%
British Columbia	63.6	49%	87	46%
Total Canadian production:	102.2	78%	137	73%
United States	28.5	22%	51	27%
Total production:	130.7	100%	188	100%

[1] Total seedling orders for 2011 are estimated in the 175-190 million range

Summary of Sales

All of the Company's sales are made to third party customers outside the PRT organization. In addition to seedling growing services, the Company also generates revenues from related services such as cold storage, shipping, seed orchard management, and regional tree planting services. Reference is made to the section entitled "Selected Annual Information" of PRT Forest Regeneration Income Fund's Management's Discussion and Analysis for the year ended December 31, 2010, which section is incorporated herein by reference.

(b) Production, Distribution, and Components

Production of seedlings starts with the seed. Forest industry and government agencies collect seeds from natural forests and seed orchards. After PRT contracts with a customer to provide the services to grow a certain number of seedlings for a specific geographic area, seeds are obtained from the customer or other reputable seed suppliers.

Substantially all of PRT's seedlings are containerized stock, and are grown in Styroblock™ containers. The use of Styroblock™ containers is a cost-effective method of producing seedlings with consistently shaped and protected root systems that facilitate harvesting, packaging, storing and planting. Container-grown seedlings have improved survival and growth rates following planting compared to bare root seedlings.

The principal growing medium is peat, supplemented with various growth enhancement materials as required. Skilled growers irrigate and fertilize container-grown seedling crops to facilitate optimal seedling growth. PRT's nurseries use misting to cool crops during hot weather, employ photo-period lights and blackout curtains to artificially manipulate the length of the growing day, and use heating and ventilation equipment to enhance seedling growth. PRT's nutritional programs include regular applications of balanced fertilizers providing all nutrient elements in the appropriate proportions relative to the desired foliar nutrient levels.

The Company grows many of its container-grown seedlings in greenhouses. However, our long term strategy is to grow an increasing portion of PRT's seedlings in outdoor compounds, using similar nursery techniques as greenhouse grown crops. This avoids the necessity to heat and maintain greenhouse space and has a lower capital cost for similar growing capacity. Open compound crops are only feasible in certain warmer climatic regions, and the company has located several nursery sites in regions where this is possible.

Each PRT nursery uses computer systems to monitor and manage many aspects of the seedling environment. These systems are equipped with automated alarms that are designed to alert staff of problems to allow for adjustments to be made if needed. In addition, seedling growth is monitored against standard growth curves and point-in-time measurements are recorded on scatter diagrams. This information is especially important for managing seedling growth and the timing of harvesting, and for providing customers with timely crop status and inventory reports.

After seedlings are harvested, they are packed in the PRT "cool box", which has become the industry standard. Seedlings are then either shipped to customers for immediate planting or placed in cold storage for planting in the future.

PRT's seedling production is distributed across a number of nursery locations which reduces the risk of a large scale crop loss to both the Company and its customers.

PRT is always looking for ways to increase efficiency and reduce costs. Various suppliers provide production input materials, such as peat, fertilizers, and packaging supplies, to the Company. These are normally purchased in significant volumes enabling PRT to obtain discounts where possible and appropriate. A large component of PRT's growing costs originates from the energy required to heat and maintain greenhouse operations. PRT procures energy for greenhouse heating from a variety of regulated and non-regulated sources, which helps to dampen the effect of short-term changes in commodity prices. In addition, the Company consults with energy brokers and may enter into forward purchase contracts for future energy requirements, when it is considered advantageous to do so.

(c) Competitive Conditions and Specialized Skill and Knowledge

The forest industry is highly competitive and sensitive to cyclical changes in industry capacity, wood products demand and prices. However, the demand for seedlings has not historically followed the same degree of deep cyclicality of the forest industry. However, recent conditions in the forest industry have been extremely weak which has led to much stronger than usual cyclicality in demand for seedlings; nevertheless, other factors such as government sponsored silviculture programs, regulation and legal requirements to reforest logged areas help provide some offsetting stability in seedling demand. For example, there is a large and growing reforestation backlog in British

Columbia caused by the Mountain Pine Beetle epidemic, which may require government sponsored silviculture to remediate the problem over time.

Most competing nurseries are single-location and owner-operated, and some may have limited access to capital. In general, these nurseries grow and supply seedlings within a specific area. PRT is unique in the forest seedling industry in that it operates in diverse geographic locations and is relatively large in size and infrastructure. PRT's management team has extensive industry experience, including knowledge of customer needs, seedling growing technology and forest regeneration management practices. The Company has specialized knowledge in small container (mini-plug) production technology as well as outdoor growing techniques.

(d) Seasonality

Revenues and cash flow are affected by both seedling crop cycles and the timing of PRT's customers' planting season. PRT recognizes seedling contract revenue on a percentage of completion basis, based on the percentage of total direct expenses incurred to date relative to total expected direct costs for the year. As such, revenues are driven by the costs incurred and these, in turn, reflect the activity in the crop cycle. Some activities involve more labour, the most significant direct expense, and as such, revenues recognized during labour intensive periods such as harvesting season are comparatively high. Most harvesting occurs in the second and fourth quarters and consequently these quarters reflect a higher proportion of annual costs and revenues.

Reference is made to the sections entitled "Operating Results" and "Summary of Quarterly Results" in PRT Forest Regeneration Income Fund's annual Management's Discussion and Analysis for the year ended December 31, 2010 and dated March 23, 2011, which sections are incorporated herein by reference.

(e) Environmental Protection

Growing seedlings for reforestation has a positive environmental impact in the management of our forest resources. In addition, the production of forest seedlings creates little risk to the environment. Seedlings are grown in controlled greenhouses or in defined open compounds. To manage potential environmental risks, PRT has established an Environmental Management System (EMS). The EMS consists of an environmental policy, codes of conduct, periodic site audits, employee training and awareness, environmental monitoring, emergency prevention and response procedures, and periodic reporting.

PRT is classified as an agricultural business and believes it is in substantial compliance with all applicable environmental regulatory requirements. PRT constantly monitors its nursery operations to ensure they are in accordance with appropriate environmental practices.

Sound agricultural and sanitation practices and integrated pest management programs are used by PRT to control pests. Approved pesticides are used only when they are necessary, and many of PRT's container seedling crops are shipped pesticide-free. All nurseries adhere to comprehensive crop risk management programs.

(f) Employees

In 2010, PRT employed an average of 356 employees, the majority of whom were casual seasonal employees. The total monthly number of employees in 2010 ranged between 201 and 557.

Certain employees in some nursery sites are members of labour unions, including employees at six locations who belong to the British Columbia Government Employees Union ("BCGEU"), at one location who belong to the Saskatchewan Government Employees Union ("SGEU"), and, prior to its closure, at the Maple Ridge location who belong to the United Steelworkers ("Steelworkers"). The BCGEU contract expires December 31, 2011 and the contract with the SGEU expired on December 31, 2010. Resulting from the announcement in October 2008 to permanently close the Maple Ridge location in 2009, a Memorandum of Agreement pursuant to Section 54 (Adjustment Plan) of the Labour Relations Code of BC and the Employment Standards Act of BC was made in November 2008 between PRT and the Steelworkers. The contract with the Steelworkers would otherwise have expired on June 15, 2010. Historically the relationship with all three unions has been good, and PRT has experienced no labour disruptions to date.

(g) Foreign Operations

The Fund is not dependent upon any foreign operation. PRT's expansion into the US through its subsidiary PRT USA has facilitated growth in the US market. With the recent economic downturn as well as appreciation of the Canadian dollar revenues from US customers have fallen in Canadian dollar terms over the past five years, from $5.7 million in 2005 to $3.3 million in 2010, but have grown proportionally from 13.2% to 14.7% of PRT's total revenue in each year respectively.

ITEM 5.2 Risk Factors

This discussion contains forward-looking statements that involve risks and uncertainties. These statements relate to, among other things, expectations for future order volumes, pricing, operating costs and other expenditures; the outlook for future energy prices; plans and opportunities for capital spending; and other statements contained in this discussion that are not historical fact. Words such as "anticipate", "expect," "potential," "intends," "opportunity," "believes," "may," "will" and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs, however, actual events or results may differ materially.

Risks and uncertainties include, but are not limited to, agricultural risks and crop yield; future commodity prices; exchange rate risks; customer credit risks and customer insolvency; liquidity risk; the outlook for the forest industry; the impact of pending changes to income trust taxation; the impact from pending changes in financial reporting to International Financial Reporting Standards (IFRS); and other risks identified from time to time in this annual report and the Fund's annual information return, prospectus, and other filing documents that are available in electronic form at www.sedar.com or by contacting the Fund directly. Forward-looking statements are based on current expectations and the Fund assumes no obligation to update such information to reflect later events or developments, except as required by law.

Cash Available for Distribution and Distributable Cash Flow are terms used throughout this discussion. Those terms, however, do not have standardized meaning under Canadian Generally Accepted Accounting Principles (GAAP) and may, therefore, not be comparable to similar measures provided by other reporting entities. Amounts reported in this discussion are in Canadian dollars unless otherwise specified.

Readers are cautioned not to place undue reliance on forward looking statements.

Liquidity

The market for forest seedlings and market outlook continued to weaken through 2010 as a result of the severe cyclical downturn in the forest industry. The forest industry has been impacted by the combined effects of a sharp falloff in US housing starts from over 2.1 million in 2005 to under 600,000 starts in 2010, and low realized lumber prices; this has resulted in mill closures, reduced logging activity and cost reduction initiatives, which in turn reduces the demand for seedlings. While seedling order volumes increased by approximately 5% in 2010 relative to 2009, both the market driven price and the average size of seedlings ordered more than offset the increase in volume. Forest seedling demand is strongly influenced by US house construction[2] and with continued weakness in US housing markets in 2011 we do not expect to see significant growth in our business from that direction. However, in 2010 forest companies in Canada and the US experienced significant growth in their Pacific Rim export business which, in turn, has led to a much stronger order book for 2011. We are therefore anticipating a more than 30% increase in traditional forestry seedling order volume. The impact of lower volumes over the past three years and necessary restructuring has significantly reduced cash available for distribution, and accordingly the Fund temporarily suspended the monthly distribution commencing in January 2009.

Management has discussed the outlook for 2011, in the Fund's Management's Discussion and Analysis for the year ended December 31, 2011 which section is incorporated herein by reference.

[2] The long term trend of US housing starts is approximately 1.6 million annually, whereas industry analysts generally predict 2011 starts to be less than 0.7 million.

Non-GAAP Measures

References in this annual information form, and any documents incorporated by reference herein, to “Cash Available for Distribution” are to the amount defined as: cash flow from operating activities before changes in non-cash working capital items adjusted for expenditures for seedling container replacement, other sustaining capital expenditures, long-term debt repayment, and such other reserves as the board of PRT and the Trustees of the Fund may consider appropriate. Expenditures incurred as part of earnings enhancing projects are excluded from the determination of Cash Available for Distribution if the overall project return meets internal investment hurdle rates to be eligible for funding from external sources, such as term debt or equity financing.

Cash Available for Distribution is a term which does not have standardized meaning under Canadian generally accepted accounting principles, and may not be comparable to similar measures provided by other reporting entities.

The Fund considers Cash Available for Distribution as defined to be a useful measure of the free cash flow from operations available for making unitholder distributions, as it is determined after providing for the maintenance and replacement of PRT’s underlying asset base, as well as providing for the financing of expansion through amortization of long-term debt arising from expansionary project spending.

Income Trust Taxation

On October 31, 2006 the Canadian Federal Government announced proposed plans to apply a tax on publicly traded income trusts, such as the Fund. These plans have now been passed into law. For existing income trusts, there is a four-year transition period, until the 2011 taxation year, before the tax would be applicable. The law also contains provisions to limit the “undue expansion” of income trusts during the transition period. If the Fund were to exceed these limits, the consequence would be a loss of the grand-fathered tax status during the transition period.

When the tax is applied starting January 1, 2011, the Fund will be subject to entity level taxation on distributions that will reduce the amount of cash available to the Fund for distribution and may result in lower distributions to unitholders. Recent budget amendments have set the proposed rate of taxation on certain receipts by the Trust at 29.5% for 2011 and 28% thereafter.

Distributions from such receipts would be treated as eligible Canadian dividend income by unitholders who are Canadian individual taxpayers. Assuming such unitholders are subject to the highest marginal income tax rates, they would receive an after-tax return from their then reduced distribution approximately equal to the after-tax return if pre-tax income of the income trust had been received. However, reduced distributions will be an absolute cost to other types of investors, including pension funds, Registered Retirement Savings Plans and non-residents who would not benefit from distribution as dividends.

Other Risk Factors

Reference is made to the section entitled "Risks and Risk Management" of the Fund's Management's Discussion and Analysis for the year ended December 31, 2010 which section is incorporated herein by reference.

ITEM 6: DISTRIBUTION POLICY

Reference is made to Notes 12 and 13 of the Fund's Annual Financial Statements for the year ended December 31, 2010, which section is incorporated herein by reference.

Cash Distributions Declared per Unit for 2008 – 2010

Reference is made to the section entitled "Selected Annual Information" of the Fund's Management's Discussion and Analysis for the year ended December 31, 2010, which section is incorporated herein by reference.

As a result of continued weakness in the Fund's market for 2010, the Board of Trustees have extended the temporary suspension in monthly distributions from the Fund in 2011 pending confirmation of cash flow improvements from improved order volumes as well as results of the Board's recommendation to the Unitholders to convert to a publicly traded corporation in 2011. The latter would negate the effects of the income trust taxation which applied starting January 1, 2011. In the interim, cash flow and available working capital will be used to finance capital expenditures and business restructuring costs.

ITEM 7: DESCRIPTION OF CAPITAL STRUCTURE

ITEM 7.1 General Description of Capital Structure

Reference is made to the Notes 1, 12 and 20 of the Fund's Annual Financial Statements for the year ended December 31, 2010, which section is incorporated herein by reference.

ITEM 7.2 Constraints

At no time may non-residents of Canada (as determined for the purposes of the Tax Act) be the beneficial owners of a majority of the Trust Units outstanding. If the Fund's transfer agent and registrar becomes aware, as a result of requiring declarations as to jurisdictions in which beneficial owners of Trust Units are resident, that the beneficial owners of 49% of the Units outstanding are, or may be, non-residents of Canada, or that such a situation is imminent, the Trustees may direct the transfer agent and registrar to not accept a subscription for, or issue or register a transfer of Units to a person unless the person provides a declaration of Canadian residency. If the Trustees determine that a majority of Units are held by non-residents, the Trustees may direct the transfer agent and registrar to send notice to non-resident Unitholders requiring them to sell their Trust Units or portion thereof within a specified period of time not less than 60 days. If Unitholders receiving such notice have not sold the specified number of Units or provided satisfactory evidence that they are Canadian residents, the Trustees may on behalf of such Unitholders, sell such Trust Units and in the interim suspend the voting and distribution rights of such Trust Units.

ITEM 8: MARKET FOR UNITS

PRT Forest Regeneration Income Fund units are listed and posted for trading on the Toronto Stock Exchange. As at March 23, 2011 there were 9,757,631 units outstanding. The following table lists the volume of trading and high, low and closing sales prices on the Toronto Stock Exchange for the Fund's units for each month in the most recently completed financial year.

PRT Forest Regeneration (PRT.UN)
Trading Summary - Annual

Month ended	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
01/31/2010	2.090	2.100	1.850	1.880	117	100,341	$ 196,534
02/28/2010	1.810	2.150	1.810	2.060	104	97,682	203,417
03/31/2010	2.050	2.300	2.050	2.300	90	134,069	285,181
04/30/2010	2.210	3.410	2.210	3.110	167	204,799	600,662
05/31/2010	3.110	3.110	2.260	2.310	83	419,369	1,122,489
06/30/2010	2.400	2.650	2.300	2.480	94	52,514	127,255
07/31/2010	2.420	2.560	2.110	2.200	91	59,449	137,105
08/31/2010	2.260	2.440	2.210	2.250	87	57,914	130,769
09/30/2010	2.250	2.400	2.100	2.270	97	67,645	153,115
10/31/2010	2.260	2.400	2.250	2.250	133	608,820	1,387,522
11/30/2010	2.380	2.380	2.250	2.380	104	113,216	261,771
12/31/2010	2.280	2.590	2.250	2.360	149	192,378	448,043
Annual Summary	2.090	3.410	1.810	2.360	1,316	2,108,196	$ 5,053,863

ITEM 10: DIRECTORS AND OFFICERS

As of March 23, 2011, the trustees of the Fund, and directors and officers of PRT were as follows:

Name and Residence	Office held with the Fund or PRT	Principal Occupation	Director or Executive Officer since
Robert K. Withers(1) (2) (3) (4) Vancouver, British Columbia	Board Chair, the Fund and PRT	Consultant	September 10, 2008
John G. Taylor, CA (1) (2) (5) Vancouver, British Columbia		Consultant	February 26, 2008
Stuart Wolfe(1) (2) (6) Vancouver, British Columbia		Consultant	September 10, 2008
Mark Gardhouse(1) (2) (3) Toronto, Ontario		President and CEO, NorTerra Inc.	September 10, 2008
Robert A. Miller(1) (2) Victoria, British Columbia	President and CEO, PRT		October 17, 1998
Antony A. Pollard Victoria, British Columbia	Vice President Finance & Administration, CFO, PRT		July 7, 2008
Herb Markgraf Victoria, British Columbia	Vice President, Marketing, PRT		January 6, 2003
Robert Maxwell Vernon, British Columbia	Vice President, Production, PRT		September 1, 2004
John H. Kitchen Vancouver, British Columbia	Vice President, Business Development, PRT		January 1, 1995

NOTES:
(1) Member of the Board of Directors of PRT
(2) Member of the Board of Trustees of the Fund
(3) Member of the Audit Committee of the Fund
(4) Chair of the HR Committee of the Fund
(5) Chair of the Audit Committee of the Fund
(6) Member of the HR Committee of the Fund

The term of each Trustee and Director runs from the time of election to the next succeeding annual general meeting of shareholders or until their successor is elected or appointed.

During the past five years, the Trustees of the Fund and Directors of PRT have been engaged in the same or similar occupations with the organizations indicated above, except as follows:

- John Taylor who until 2005 was employed as the Senior Vice President and Chief Financial Officer of Teck Cominco Ltd.
- Stuart Wolfe who was President and CEO of Graymont Limited until his retirement in 2007.

- Robert Withers was Director of Merchant Banking at HSBC Capital Canada Inc. until 2008.
- Mark Gardhouse was President of C.A. Bancorp Inc., until June 2010.

During the past five years, the officers of the Company have been engaged in the same or similar occupations with the organizations indicated above, except as follows:

- John Kitchen who from August 2002 to July 2008 was the President and Chief Executive Officer of PRT.
- Robert Miller who until July 2008 was the Vice President Finance and Administration, CFO and Secretary of PRT.
- Robert Maxwell who was Eastern Regional Manager of the Company from 1998 to September 2004.
- Antony Pollard who was Corporate Controller of PRT from July 2007 to July 2008.

As at March 23, 2011, all directors and officers, as a group, own 134,667 units in the Fund, representing 1.38% of the total units outstanding.

ITEM 12: LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Neither the Company nor the Fund is aware of any material active or pending legal proceedings or regulatory actions against the Fund or PRT; nor is the Fund or PRT involved as a plaintiff in any material proceeding or pending litigation.

ITEM 14: TRANSFER AGENTS AND REGISTRARS

The fund's transfer agent and registrar for the Fund is the Valiant Trust Company. The register of transfers is maintained by the Valiant Trust Company located at its offices in Vancouver, BC.

ITEM 15: MATERIAL CONTRACTS

The material contracts other than contracts entered into in the ordinary course by the Fund in 2010, or if entered into after January 1, 2002, but still in effect, included the following:

Acquisition Agreement

On September 14, 2005, PRT entered into a purchase agreement with the former shareholders of Pelton Reforestation Ltd. to acquire Pelton for $18,500,000. The acquisition closed on October 1, 2005. (Note – this site became the PRT Maple Ridge nursery see item 4.2).

Eighth Supplemental Note Indenture

At the Fund's Annual Meeting in June 2008, the Unitholders approved an amendment to the Note Indenture to change the interest rate on the unsecured subordinated notes from a fixed rate of 12% to a variable rate of between 4.5% and 12% as determined by the Fund and PRT. This change was documented in the Eighth Supplemental Note Indenture dated January 26, 2009. The amendment is described Appendix D of the Information Circular of the Fund dated March 25, 2008, which is hereby incorporated by reference.

Seventh Supplemental Note Indenture

On December 22, 2005, PRT entered into a Supplemental Note Indenture with Computershare Trust Company of Canada, as Trustee. Under the agreement PRT issued $15,148,000 in 12% unsecured subordinated notes with a maturity date of July 11, 2027. The notes were subscribed to by the Fund in connection with the financing noted under "Underwriting Agreement" above. The proceeds from this note issue were used by PRT to repay certain indebtedness as well as for general corporate purposes.

Sixth Supplemental Note Indenture

On August 2, 2004, PRT entered into a Supplemental Note Indenture with Computershare Trust Company of Canada, as Trustee. Under the agreement PRT issued $3,000,000 in 12% unsecured subordinated notes with a maturity date of July 11, 2027. The notes were subscribed to by the Fund in connection with the issuance of 317,595 Trust Units to partially fund the acquisition of H.N. Hybrid Nurseries Ltd. by PRT.

Fifth Supplemental Note Indenture

On December 15, 2002, PRT entered into a Supplemental Note Indenture with Computershare Trust Company of Canada, as Trustee. Under the agreement PRT agreed to increase the interest payment frequency under its existing and subsequently issued unsecured subordinated notes (the "Notes") to monthly from quarterly. The Fifth Supplemental Note Indenture gave effect to an extraordinary resolution of the holders of the Notes dated December 16, 2002 authorizing this change.

Fund Unit Option Plan

The Fund has established a Unit option plan (the "Plan"), which was approved by the Fund's Unitholders on May 17, 2001, whereby the Trustees of the Fund may from time to time grant options to purchase Units to eligible officers, employees and consultants of the Fund or any subsidiary and to directors of any subsidiary. The Plan is described on page 11 of the Information Circular of the Fund dated April 15, 2010 under the section titled "Option Plan", which is hereby incorporated by reference.

Employee Share Ownership Plan

During the year ended December 31, 2003 PRT and PRT Management established an Employee Stock Ownership Plan (“ESOP”) to facilitate the purchase of Trust Units by certain eligible employees and directors of PRT and PRT Management. The ESOP is described on page 13 of the Information Circular of the Fund dated April 15, 2010 under the section titled “Employee Share Ownership Plan”, which is hereby incorporated by reference.

Unitholder Rights Plan

In December 2008 the Fund established a Unitholder Rights Plan (“Rights Plan”) agreement with Valiant Trust Company as Rights Agent. The Rights Plan was established to ensure, to the extent possible, that all Unitholders are treated fairly in connection with any take-over bid for the Units of the Fund, and to ensure that the Trustees are provided with sufficient time to evaluate unsolicited take-over bids and to explore and develop alternatives to maximize Unitholder value. The Rights Plan is described in detail in the Unitholder Rights Plan Agreement Date As Of December 19, 2008 filed on SEDAR on January 9, 2009 which is hereby incorporated by reference, on page 17 of the Information Circular of the Fund dated April 15, 2009, under the section titled “Unitholder Rights Plan”, which is hereby incorporated by reference.

ITEM 16: INTERESTS OF EXPERTS

The audited consolidated financial statements of the Fund for the years ended December 31, 2010 and 2009 filed with the Canadian securities administrators were audited by KPMG LLP. The partners of KPMG LLP do not beneficially own, directly or indirectly, any securities of the Fund.

The audited consolidated financial statements of the Fund for the year ended December 31, 2008 filed with the Canadian securities administrators were audited by PricewaterhouseCoopers LLP.

(a) External Professional Service Fees

The following table shows proposed or actual fees paid or payable in the past two fiscal years, for various services provided to the Fund and its subsidiaries:

	Year ended December 31	
	2010	2009
Audit Fees*	$ 93,250	$ 93,250
Tax Fees**	39,241	49,680
Other	41,310	34,697
Total	$ 173,801	$ 177,627

* Based on proposed fees for 2010 - actual amounts not yet fully paid

**2009 fees include services rendered for completing amended filings and re-filings after CRA audits of 2004, 2005, and 2006 tax years

In both years, audit fees were paid or payable to KPMG LLP, while tax fees were paid or payable to PricewaterhouseCoopers LLP.

Audit Fees – These fees include professional services rendered by the external auditors for statutory audits of the annual financial statements.

Tax Fees – These fees include professional services for tax compliance, tax advice and tax planning.

Other Fees – These fees include recurring annual fees of approximately $10,000 on professional services for specified procedures on interim reports, as well as regulatory compliance. The remaining fees relate to specified procedures related the regulated change from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS). The Fund's first reporting period under IFRS will be March 31, 2011 with full comparative statements under IFRS reconciled to GAAP.

Fees noted above for either year do not include disbursements (estimated at $5,000 for 2010), administrative overhead charges at 5% of professional fees, or GST/HST.

ITEM 17: ADDITIONAL INFORMATION

Additional information relating to PRT and the Fund, including copies of documents incorporated herein by reference, may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Fund's securities and securities authorized for issuance under equity compensation plans, is contained in the Fund's Information Circular dated April 15, 2010 for the Annual and Special Meeting of the Unitholders on June 8, 2010.

Additional financial information, including comparative financial statements for the year ended December 31, 2010, is also provided in the Fund's Annual Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2010 and dated March 16, 2011.