



**DOREL INDUSTRIES INC.**

**ANNUAL INFORMATION FORM**

**For the fiscal year ended December 30, 2008**

**March 13, 2009**

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

### CORPORATE STRUCTURE

#### ***Incorporation of Dorel Industries Inc.***

Dorel Industries Inc. (the “Company”) was incorporated on March 5, 1962 pursuant to Part I of the *Companies Act* (Quebec) under the name Dorel Co. Ltd. On May 19, 1987, the Company was continued under Part IA of the *Companies Act* (Quebec), at which time certain changes were effected to its share capital, the “private company” provisions were removed from its Articles and the Company name was changed to Dorel Industries Inc./Les Industries Dorel Inc. On October 26, 1988, the Company amalgamated with its wholly-owned subsidiary, Ridgewood Industries Ltd. On September 20, 1991, the Company filed Articles of Amendment, effective October 1, 1991, converting each issued and outstanding common share into one-half of a Class A Multiple Voting Share carrying ten votes per share and one-half of a Class B Subordinate Voting Share carrying one vote per share. The Company’s head and registered office is located at 1255 Greene Avenue, Suite 300, Montreal, Quebec, H3Z 2A4.

#### ***Subsidiaries***

Schedule A annexed hereto sets out the major companies within the organizational structure of the Company as of December 30, 2008 and the jurisdiction of incorporation of each subsidiary. Each of the subsidiaries is wholly and/or majority owned, either directly or indirectly, by the Company.

For the purposes of this annual information form, “Dorel” refers to the Company together with its subsidiaries.

## GENERAL DEVELOPMENT OF THE BUSINESS

Dorel is a world class juvenile products and bicycle company. It specializes in three market segments: juvenile products, recreational / leisure and home furnishings items. Dorel's extensive product offering includes juvenile products such as infant car seats, strollers, high chairs, cribs, toddler beds, playpens, swings and infant health and safety aids; recreational / leisure items such as bicycles, jogging strollers and other recreational products and accessories and home furnishings such as a wide variety of Ready-to-Assemble ("RTA") furniture for home and office use, as well as metal folding furniture, futons, step stools, ladders and other imported furniture items.

Dorel's leadership position is pronounced in both its juvenile and bicycle categories with an array of trend-setting products. In the Juvenile Segment, Dorel's branded products such as Quinny, Maxi-Cosi, Safety 1<sup>st</sup> and B  b   Confort have shown the way to safety, originality and fashion. Similarly, its highly-popular brands such as Cannondale, Schwinn, GT and Mongoose have made Dorel a principal player in the Recreational/Leisure Segment. Dorel's Home Furnishings Segment markets a wide assortment of furniture products, both domestically produced and imported. Dorel relies upon innovation and marketing flair across all of its divisions.

As at the date of this annual information form, Dorel employs approximately 4,700 people in 18 countries. Operations in the United States include Dorel Juvenile Group, which markets the Cosco and Safety 1<sup>st</sup> brands, as well as Eddie Bauer; Pacific Cycle, which markets several brands, including Schwinn, Mongoose, InSTEP, Playsafe and Roadmaster; Cannondale Bicycle Corporation which markets GT along with Cannondale; Ameriwood Industries Inc. ("Ameriwood"), which markets RTA furniture products under the Ameriwood, Carina, Charleswood, SystemBuild, Altra Furniture and Ridgewood brands; Cosco Home & Office, which markets home/office products under the Cosco brand. In Canada, Dorel operates Dorel Distribution Canada, Ridgewood Industries, Dorel Home Products and Sugo Performance Apparel. Dorel Europe markets juvenile products throughout Europe under the B  b   Confort, Maxi-Cosi, Quinny, Safety 1<sup>st</sup>, Babid  al, Mon B  b   and Baby Relax brands. Dorel Asia sources and imports juvenile and home furnishings products. Dorel is the majority shareholder in Dorel Australia Pty Ltd. ("Dorel Australia"), which manufactures and distributes juvenile products in Australia and New Zealand under several local brands, the most prominent of which are Bertini and Mother's Choice. In 2009, the Company announced it is establishing Companhia Dorel Brasil Produtos Infantis ("Dorel Brazil"), a new operating division of the Company's Juvenile Segment. Dorel also has eight offices in China, headquartered in Shanghai, which oversee the sourcing, engineering and logistics of Dorel's Asian supplier chain.

### ***Major Events in the Development of the Business***

The Company was founded in Montreal, Quebec in 1962 by Mr. Leo Schwartz, who served as its President until 1992. Dorel began operations as a small manufacturer and distributor of juvenile products. By the early 1970s, Dorel had established a national sales network for its products.

In 1987, the Company completed an initial public offering in the province of Quebec of two million common shares at a price of \$5.00 per share for gross proceeds of \$10 million. At the same time, its common shares commenced trading on the Montreal Exchange.

In 1988, Dorel purchased Cosco, Inc. ("Cosco") of Columbus, Indiana, a company involved in the production of children's furniture and accessories, as well as the production of folding metal furniture. This acquisition significantly increased Dorel's presence in the juvenile products and home furnishing industries in North America. Today, this company operates as two distinct divisions: DJG USA and Cosco Home & Office.

Dorel (U.K.) Ltd. ("Dorel (U.K.)") was established in 1988 to penetrate the juvenile market in the United Kingdom and continental Europe. The Company originally owned 75% of Dorel (U.K.) and acquired the remaining 25% interest in 1990 for nominal consideration.

In 1990, Dorel acquired all of the shares of Charleswood Corporation ("Charleswood"), a manufacturer and distributor of RTA furniture located near St. Louis, Missouri. Charleswood was amalgamated with Ameriwood, which was acquired in 1998.

The Company's common shares were listed on the Toronto Stock Exchange in 1990.

In September 1991, the Company's shareholders approved a share capital reorganization, pursuant to which each issued and outstanding common share was converted into one-half of a Class A Multiple Voting Share carrying ten votes per share and one-half of a Class B Subordinate Voting Share carrying one vote per share.

In December 1991, the Company completed a public offering in Canada of 2.6 million Class B Subordinate Voting Shares at a price of \$5.75 per share for gross proceeds of \$14.95 million.

Also in 1991, Cosco purchased the assets of Silgo International, a manufacturer and distributor of children's wall hangings and decorative accessories based in San Diego, California. The assets were used to establish Infantino, Inc. ("Infantino"), a Dorel subsidiary that manufactured and sold juvenile accessories. Infantino was sold in 2000 as part of a reorganization of the juvenile products business in the United States.

During 1993, Dorel purchased the assets of Carol Ann Furniture of Montreal, Quebec. The assets were used in 1994 to establish Leadra Design Inc. ("Leadra"), a Dorel subsidiary that manufactured and distributed a line of mid-priced bedroom sets, wall units, tables and chairs.

In 1994, Dorel purchased Maxi-Miliaan B.V. ("Maxi-Miliaan"), an infant car seat distributor based in the Netherlands. The acquisition allowed Dorel to more effectively penetrate the fragmented European market. Maxi-Miliaan also had sales offices in France and Germany. Today, this company is referred to as Dorel Netherlands.

In November 1997, the Company issued one million Class B Subordinate Voting Shares at a price of \$34 per share by way of public offering in Canada. In December 1997, the Company issued an additional 75,000 Class B Subordinate Voting Shares at a price of \$34 per share upon the exercise of an over-allotment option by the underwriters of the public offering. The gross proceeds to the Company from the public offering and the exercise of the over-allotment option were \$36.55 million.

In May 1998, Dorel acquired Ameriwood, a RTA furniture manufacturer that has facilities in Tiffin, Ohio and Dowagiac, Michigan. A portion of the purchase price for Ameriwood was financed by the issuance of 460,000 Class B Subordinate Voting Shares at a price of \$47.65 per share by way of public offering in the United States and Canada. The net proceeds to the Company from this offering were \$20.2 million. Effective December 1998, Ameriwood was combined with Charleswood under the Ameriwood name.

In August 1998, the Company announced a two-for-one stock split, which became effective in September 1998. In the same month, Dorel acquired Okla Homer Smith ("Okla Homer"), a unit of Century Products. Okla Homer was a manufacturer of wooden juvenile furniture; its operations were consolidated with those of Cosco. In September 1998, Dorel announced the closing of the Leadra unit, which closing was completed in December. Dorel incurred a restructuring charge of \$10.1 million USD before tax in connection with the closing of Leadra and the reorganization of the newly-acquired Ameriwood.

In June 2000, Dorel acquired Safety 1<sup>st</sup> Inc. ("Safety 1<sup>st</sup>") for a total cost of \$150.5 million USD. Safety 1<sup>st</sup> was a publicly-traded company in the United States with locations in Canada and Europe. Safety 1<sup>st</sup> is a recognized brand name in North America and a well-known company in the child safety segment of the juvenile industry.

Subsequent to the acquisition of Safety 1<sup>st</sup> and as part of the integration of the juvenile businesses in North America and Europe, a major restructuring was undertaken. In addition to the costs attributed to merging Safety 1<sup>st</sup> into Dorel's U.S. juvenile business, three of Dorel's operations were discontinued. These discontinued operations: (i) resulted from the sale of the assets of the Infantino division and the closing of the Okla Homer crib factory acquired in 1998; and (ii) included the imported strollers sales business in the United Kingdom carried out through Dorel (U.K.). The juvenile operating units were renamed Dorel Juvenile Group ("DJG") in the United States, Canada and Europe.

In April 2001, Dorel acquired Quint B.V. ("Quint") of the Netherlands for \$9.2 million USD. Quint was an established designer and marketer of high-end baby strollers sold in European specialty shops under the Quinny brand. The acquisition was designed, in part, to increase Dorel's juvenile business in Europe and today forms part of the Dorel Europe group.

In May 2002, the Company issued 2,929,200 Class B Subordinate Voting Shares at a price of \$38.50 per share by way of public offering in Canada, for gross proceeds to the Company of \$112.8 million. The net proceeds of the public offering were used by the Company to reduce bank indebtedness.

In July 2002, the Company sold, through one of its subsidiaries, \$50 million USD principal amount of 6.80% Series A Senior Guaranteed Notes due July 26, 2012. The net proceeds from the sale of the notes were used to repay floating debt that was outstanding at the time. The notes were purchased by a group of institutional investors led by The Prudential Insurance Company of America.

In February 2003, the Company acquired all of the outstanding common shares of Ampa Development SAS ("Ampafrance"), a company headquartered in Cholet, France with major facilities in Portugal and Italy. Ampafrance is a developer,

manufacturer, marketer and distributor of juvenile products, including strollers, car seats and other juvenile products. The total consideration was \$247.2 million USD. The majority of the acquisition cost was financed through long-term debt with the balance being paid in cash.

In connection with the acquisition of Ampafrance, now known as “Dorel France”, Dorel completed the sale in February 2003 of \$110 million USD principal amount of senior guaranteed notes. The senior guaranteed notes were purchased by a group of institutional investors including Prudential Capital Group, an institutional investment business of Prudential Financial, and Teachers Insurance and Annuity Association - College Retirement Equity Fund. Of the \$110 million USD, Dorel issued \$55 million USD of Series A Notes bearing interest at 5.09% and repaid February 11, 2008, and \$55 million USD of Series B Notes bearing interest at 5.63% due February 10, 2010.

In September 2003, Dorel acquired all of the outstanding common shares of Carina Furniture Industries Ltd. (“Carina”), based in Brampton, Ontario, for total consideration of \$39.9 million USD. Carina operates in the Home Furnishings Segment and is known for its Carina and SystemBuild brand names. The Brampton facility was closed in 2004 with the majority of the production being shifted to Dorel’s RTA plant in Cornwall, Ontario.

Pursuant to a normal course issuer bid announced on August 7, 2003, the Company was entitled to repurchase for cancellation up to a maximum of 200,000 Class B Subordinate Voting Shares over a twelve-month period starting on August 11, 2003 at the prevailing market price on the Toronto Stock Exchange. The program expired on August 10, 2004. During the fiscal year ended December 30, 2004, the Company did not purchase any shares for cancellation. During the fiscal year ended December 30, 2003, the Company purchased an aggregate of 5,000 Class B Subordinate Voting Shares for total consideration of \$129,000 USD. These shares were cancelled upon their purchase by the Company.

In February 2004, Dorel acquired all the outstanding shares of Pacific Cycle, LLC, (“Pacific Cycle”), a designer and supplier of bicycles and other recreational products headquartered in Madison, Wisconsin. The total consideration for the acquisition was \$311 million USD. The majority of the acquisition cost was financed through long-term debt, with the balance being paid in cash. Additionally, as part of the acquisition agreement, certain members of Pacific Cycle’s management group were party to a deferred purchase price payment plan. Under the terms of this plan, additional consideration was contingent upon achieving specified earnings objectives over a period of three years following the date of acquisition. The operations of Pacific Cycle are reported as part of the segment referred to as Recreational/Leisure.

In September 2005, Dorel announced a significant consolidation at Ameriwood, Dorel’s RTA furniture division. Production ceased at its Wright City, Missouri facilities, the manufacturing premises were closed and related assets were disposed of. The closure was necessitated by excess capacity caused by a strategic shift away from exclusive domestic production to a combination of North American production and imported items. The restructuring was part of an overall plan to improve the earnings of the Home Furnishings Segment. The consolidation plan was completed at the end 2006 at a cost that was in line with expectations.

### ***Developments in the Past Three Years***

In the fourth quarter of 2006, Dorel Europe initiated restructuring activities affecting the Juvenile Segment. Significant operational changes related to the production facilities in Telgate, Italy and Cholet, France were implemented. The plan’s objective was to reduce operational costs through strategic sourcing and manufacturing. These restructuring initiatives were completed in 2008 and resulted in cumulative restructuring charges of \$13.1 million USD. Of this cumulative charge, \$0.9 million USD was recorded in the current fiscal year, \$8.2 million USD in 2007 and \$4.0 million USD in 2006.

In February 2007, Dorel acquired a 55% interest in IGC (Australia) Pty Ltd (“IGC”), an Australian company. Operating as In Good Care, IGC is a well-established manufacturer and distributor of juvenile products in Australia and New Zealand. Dorel paid cash consideration of \$2.7 million USD, and assumed debt in the amount of \$7.4 million USD in return for the 55% interest. The remaining 45% is owned by the Chief Executive Officer of IGC, Mr. Robert Berchik, who continues to serve in that capacity.

On February 23, 2007, the Company renegotiated the terms of its unsecured revolving credit facility. This facility was extended to July 1, 2010 and provides for an annual one-year extension. The borrowing availability under this facility decreased to \$325 million USD from the availability as at December 30, 2006 of \$425 million USD, as disclosed in the Company’s 2006 year-end financial statements. The credit agreement was also amended to include an “accordion” feature allowing the Company to have access to an additional \$200 million USD on a revolving basis, if required.

On March 7, 2007, the Company announced its intention to voluntarily delist its Class B Subordinate Voting Shares from the NASDAQ Global Market (“NASDAQ”). On March 19, 2007, the Company filed a notification of removal from listing on NASDAQ on Form 25 with the U.S. Securities and Exchange Commission (the “SEC”). As a result, the Class B Subordinate Voting Shares were delisted from NASDAQ as of March 29, 2007. The delisting of the shares from NASDAQ has not affected the listing of the Class B Subordinate Voting Shares on the Toronto Stock Exchange and the Class B Subordinate Voting Shares continued to trade on the Toronto Stock Exchange after the NASDAQ delisting became effective.

For the first time in the Company’s history, on March 12, 2007, the Board of Directors declared a quarterly dividend of twelve and one-half cents (\$0.125 USD) per share on the Class A Multiple Voting Shares, Class B Subordinate Voting Shares and Deferred Share Units of the Company.

On May 17, 2007, Dorel announced a restructuring plan at Ameriwood within the Home Furnishing Segment. Dorel determined that its RTA furniture manufacturing footprint exceeded anticipated market needs. As such, the majority of manufacturing operations at the Dowagiac, Michigan RTA facility were suspended in July 2007. The restructuring was part of an overall plan to improve the earnings of the Home Furnishings Segment. The total pre-tax cost of the restructuring plan was \$11.0 million USD, including \$9.6 million USD non-cash charges related to the write-down of long-lived assets and inventory markdowns, \$0.6 million USD of employee severance and termination benefits, \$0.6 million USD of contract termination costs and \$0.2 million USD of other associated costs.

On February 4, 2008, the Company acquired all the outstanding shares of Cannondale Bicycle Corporation (“Cannondale”), a leading designer, developer and manufacturer of high-end bicycles. The total value of the all-cash transaction was \$202.2 million USD. Headquartered in Bethel, Connecticut with significant operations in the United States and the Netherlands, as well as locations in Switzerland, Japan and Australia, Cannondale is widely regarded as one of the bike industry’s leading innovators. Cannondale’s handcrafted bicycles have won numerous design awards and are sold in over 70 countries. Additionally, forming part of Cannondale is the Sugoi Performance Apparel (“Sugoi”) division located in Vancouver, British Columbia. Sugoi products are used worldwide by runners, cyclists, tri-athletes and fitness enthusiasts. Prior to its acquisition, Cannondale’s annual sales were approximately \$200 million USD.

With the acquisition of Cannondale, an amendment to the revolving bank loans was signed on January 18, 2008. Under the revolving bank loans, the total availability was increased to \$475 million USD with an “accordion” feature allowing the Company to have access to an additional amount of \$50 million USD on a revolving basis.

On April 1, 2008 the Company announced that it voluntarily filed a Form 15F with the SEC to terminate the registration of its Class B Subordinate Voting Shares under the Securities Exchange Act of 1934, as amended. This termination of registration became effective 90 days after its filing with the SEC. As a result of this filing, Dorel’s obligation to file certain reports with the SEC, including an annual report on Form 20-F and reports on Form 6-K, was suspended. As a TSX-listed reporting issuer, Dorel will continue to meet its Canadian continuous disclosure obligations by filing continuous disclosure documents with the Canadian Securities Administrators.

In line with the Company’s strategy to aggressively grow its bicycle and juvenile products businesses, on June 26, 2008 Dorel’s Pacific Cycle division acquired the assets of PTI Sports (“PTI”), a leading US designer and distributor of bicycle parts, helmets and other accessories. With a purchase price of \$29.4 million USD, PTI recorded sales of \$65 million USD in the 2007 fiscal year. Established in 1991, PTI has widespread distribution at the key mass and sporting goods retailers throughout North America. With a dedication to product innovation, PTI sells product with powerful, recognizable brands under license.

On August 19, 2008 the Company announced the re-opening of its Dowagiac, Michigan RTA facility where operations had been suspended as part of a restructuring plan in 2007. A production line was opened to accommodate the demand for RTA furniture product. It is anticipated that up to 100 manufacturing positions could be created over time as demand dictates. Despite the overall slowdown in the home furnishings retail sector, demand for domestically produced product increased, allowing the Company’s two other facilities to run much more efficiently and necessitating the need for additional capacity at Dowagiac.

### ***Recent Developments***

On January 6, 2009 the Company announced it is establishing Dorel Brazil, a new operating division of the Company’s Juvenile Segment. With the 7<sup>th</sup> ranked population in the world with over 196 million residents, Brazil is characterized by a young population with a high birth rate of 18.7 per 1000 inhabitants, compared to the US rate of 14.2. Additionally, car seats

became mandatory in Brazil in June 2008 and demand has escalated. The Company intends to establish the local manufacture of car seats as well as import existing Dorel products that meet local safety standards. The total investment is expected to be less than \$4 million USD.

On January 27, 2009 Dorel announced a further strengthening of its successful high-end European juvenile lines with the purchase of all of the outstanding shares of Belgium-based BABY ART bvba (“BABY ART”). Created in 2006, BABY ART markets its products under the BABY ART and HOPPOP brands. The purchase price was 4.1 million Euros, or \$5.3 million USD. The transaction, which will be immediately accretive to earnings, is being financed through debt.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

### ***Operating Segments and Principal Products***

Within each of Dorel’s three segments, there are several operating divisions or subsidiaries. Each segment has its own President and is operated independently by a separate group of managers. Senior management of the Company coordinates the businesses of all segments and maximizes cross-selling, cross-marketing, procurement and other complementary business opportunities.

Dorel conducts its business through a variety of sales and distribution arrangements. These consist of: salaried employees; individual agents who carry the Company's products on either an exclusive or non-exclusive basis; individual specialized agents who sell products, including Dorel's, exclusively to one customer such as a major discount chain; and sales agencies who employ their own sales force. While retailers carry out the bulk of the advertising of Dorel’s products, all of the segments advertise and promote their products through the use of advertisements in specific magazines, multi-product brochures, on-line and other media outlets.

Dorel believes that its commitment to providing a high quality, industry-leading level of service has allowed it to develop successful and mutually beneficial relationships with major retailers. A high level of customer satisfaction has been achieved by fostering particularly close contacts between Dorel’s sales representatives and clients. Permanent, full-service agency account teams have been established in close proximity to certain major accounts. These dedicated account teams provide these customers with the assurance that inventory and supply requirements will be met and that any problems will be immediately addressed.

In addition to quality products and dedicated customer service, strong recognized consumer brands are an important element of Dorel’s strategy. As examples, in North America, Dorel’s Schwinn and Cannondale product lines are among the most recognized brand names in the sporting goods industry. Safety 1<sup>st</sup> is a highly regarded Dorel brand in the North American juvenile products market. In Europe, Béb  Confort is universally recognized and has superior brand awareness in France. Throughout Europe the Maxi-Cosi brand has become synonymous with quality car seats. These brands, and the fact that Dorel has a wide range of other brand names, allows for product and price differentiation within the same product categories. Product development is the final element of Dorel’s past and future growth. Dorel has invested heavily in this area, focusing on innovation, quality, safety and speed to market with several design and product development centres. Over the past two years, Dorel has spent over \$53 million USD on new product development.

### **Operating Segments**

#### ***Juvenile***

The Juvenile Segment manufactures and imports products such as infant car seats, strollers, high chairs, toddler beds, cribs, playpens, swings and infant health and safety aids. In North America, the majority of juvenile sales are made to mass merchants, department stores and hardware/home centres, where consumers’ priorities are design oriented, but with a focus on safety and quality at reasonable prices. Therefore sales to this channel are focused on entry level to mid-price point products. Using innovative product designs, higher-end price points are also being serviced by these customers, representing additional sales opportunities for the segment. Dorel is among the three largest juvenile products companies in North America along with Graco (a part of the Newell Group of companies) and Evenflo Company Inc.

In Europe, Dorel sells products across all price points from entry-level to high-end juvenile products. However, with its well recognized brand names and superior designs and product quality, the majority of European sales are made to major European juvenile product chains along with boutiques and smaller stores. Dorel is also one of the largest juvenile products companies, competing with companies such as Britax, Peg Perego, Chicco, Bugaboo, Jane and Graco, as well as several smaller

companies. In Australia, sales are made to both large retailers and specialist stores. Globally, within its principal categories, Dorel's combined juvenile operations make it the largest juvenile products company in the world.

The Juvenile Segment operates in North America, Europe and Australia. In early 2009, Dorel established a new operating division in Brazil to expand sales within that country. DJG's operations in the United States are headquartered in Columbus, Indiana with facilities in Foxboro, Massachusetts and Ontario, California. As well as being the headquarters, all North American manufacturing and car seat engineering is based in Columbus. Products are conceived, designed and developed at the Foxboro location. Dorel Distribution Canada is located in Montreal, Quebec and sells to customers throughout Canada. The principal brand names in North America are Cosco, Safety 1<sup>st</sup>, Maxi Cosi and Quinny. In addition, several brand names are used under license, the most significant being the well-recognized Eddie Bauer.

Dorel Europe is headquartered in Cholet, France and major product design facilities are located both in Cholet and Helmond, the Netherlands. Sales operations along with manufacturing and assembly facilities are located in France, the Netherlands and Portugal. In addition, sales and/or distribution subsidiaries are located in Italy, Spain, the United Kingdom, Germany, Belgium and Switzerland. In Europe, products are marketed under the brand names Béb  Confort, Maxi-Cosi, Quinny, Monb b , Babid al, Baby Relax and Safety 1<sup>st</sup>. In Australia, Dorel is the majority shareholder in IGC which manufactures and distributes its products under several local brands, the most prominent of which are Bertini and Mother's Choice. IGC has done an exceptional job of introducing and integrating Dorel's North American and European brands in Australia and New Zealand, broadening their sales range. Dorel Asia sells cribs and other juvenile furniture to various retailers in North America. In addition, many of Dorel's divisions sell products to customers which are marketed under various house brand names. In 2008, the Juvenile Segment accounted for 51% of Dorel's revenues.

### ***Recreational/Leisure***

The Recreational/Leisure Segment's businesses participate in a marketplace that totals approximately \$55 billion USD in retail sales annually. This includes bicycles, bicycling and running footwear and apparel, jogging strollers and bicycle trailers, as well as related parts and accessories. The breakdown of bicycle sales around the world is approximately 50% in Asia-Pacific, 22% in Europe, 12% in North America, with the balance in the rest of the world. The bicycle market has remained stable over the past 15 years, with trends such as the rise in popularity of mountain bikes in the late 1990s and the spike in road bike sales in the early 2000s offsetting other declines. In the United States, over that same period the mass merchant channel has captured a greater share of the market and today accounts for over 70% of unit sales.

Despite the growth of the mass merchant channel, the Independent Bicycle Dealer ("IBD") distribution channel remains an important retail outlet in North America, but particularly so in Europe and other parts of the world. IBD retailers specialize in higher-end bicycles and deliver a level of service to their customers that the mass merchants cannot. Retail prices in the IBD's are much higher, reaching up to over \$10,000 USD. This compares to the mass market channel where the average retail price is less than \$100 USD. Finally the sporting goods channel also sells bicycles, however in the United States this channel accounts for less than 10% of total retail sales.

Brand differentiation is an important part of the bicycle industry with different brands being found in the different distribution channels. High end bicycles and brands would be found in IBD's and some sporting goods chains, whereas the other brands can be purchased in mass market retailers. Consumer purchasing patterns are generally influenced by economic conditions, weather and seasonality. Principal competitors include Huffy, Dynacraft, Trek, Giant, Specialized, Scott and Raleigh. In Europe, the market is much more fragmented as there is additional competition from much smaller companies that are popular in different regions.

The bicycle business is divided into two distinct divisions to clearly delineate the business between mass merchant customers and the IBD network of smaller bicycle stores. The IBD retail channel is serviced by the Cannondale Sports Group ("CSG") which focuses exclusively on this category with the premium-oriented brands Cannondale, SUGOI, GT and others. Pacific Cycle has an exclusive focus on mass merchant customers, principally with the Schwinn and Mongoose brands used on bicycles, parts and accessories. An apparel and footwear group ("AFG") is run under the leadership of SugoI and sales are made through the bicycle IBD's, various sporting good chains and specialty running stores. AFG competes with such brands as Nike, Pearl Izumi, Adidas, among others, as well as some of the bicycle brands.

In North America, Recreational/Leisure is headquartered from Madison, Wisconsin and Bethel, Connecticut and has significant operations in Vancouver, British Columbia and Bedford, Pennsylvania. In addition, distribution centers are located in California and Illinois. Global operations include locations in the Netherlands, Switzerland, Australia and Japan. In 2008, the Recreational/Leisure Segment accounted for 29% of Dorel's revenues.

## ***Home Furnishings***

Dorel's Home Furnishings Segment participates in the \$80 billion USD North American furniture industry. Dorel ranks in the top ten of North American furniture manufacturers and marketers and has a strong foothold in both North American manufacturing and importation of furniture, with a significant portion of its supply coming from its own manufacturing facilities and the balance through sourcing efforts in Asia. Dorel is also the number two manufacturer of RTA furniture in North America. Products are distributed from the Company's North American manufacturing locations as well as from several distribution facilities.

Dorel's Home Furnishings Segment consists of five operating divisions. They are Ameriwood, Altra Furniture ("Altra"), Cosco Home & Office, Dorel Home Products ("DHP") and Dorel Asia. Ameriwood specializes in domestically manufactured RTA furniture and is headquartered in Wright City, Missouri. Ameriwood's manufacturing and distribution facilities are located in Tiffin, Ohio, Dowagiac, Michigan, and Cornwall, Ontario. Altra is also located in Wright City, Missouri and designs and imports furniture mainly within the home entertainment and home office categories. Cosco Home & Office is located in Columbus, Indiana and the majority of its sales are from metal folding furniture, step stools and specialty ladders. DHP, located in Montreal, Quebec, manufactures futons and baby mattresses and imports futons, bunk beds and other accent furniture. Dorel Asia specializes in sourcing upholstery and a full range of finished goods from Asia for distribution throughout North America.

While industry furniture sales declined in 2008 due to the significant drop in the housing market, Dorel sales in home furnishings have increased. Dorel has significant market share within its product categories and has a strong presence with its customer base. Sales are concentrated with mass merchandisers, warehouse clubs, home centres, and office and electronic superstores. Dorel markets its products under generic retail house brands as well as under a range of branded product including: Ameriwood, Altra, System Build, Ridgewood, Dorel Fine Furniture, and Cosco. The Dorel Home Furnishings Segment has many competitors including Sauder Mfg. in the RTA category, Meco in the folding furniture category, and Werner in ladders. In 2008, this segment accounted for 20% of Dorel's revenues.

## ***Distribution***

Dorel sells its products primarily to major retail chains. In 2008, Dorel had sales to the following: (i) mass merchant discount chains; (ii) speciality stores; (iii) department stores; (iv) hardware / home centres; and (v) independent stores.

Dorel conducts its business through a variety of sales and distribution arrangements. These consist of salaried Dorel employees; individual agents who carry Dorel's products on either an exclusive or non-exclusive basis; individual specialized agents, who sell products, including Dorel's, exclusively to one customer such as a major discount chain; and sales agencies, which employ their own sales force.

While retailers carry out the bulk of the advertising of Dorel's products, all of the segments advertise and promote their products through the use of advertisements in specific magazines, multi-product brochures and other media outlets.

## ***Major Customers***

For the year ended December 30, 2008, one customer accounted for over 10% of the Company's revenues, at 30.4% of Dorel's total. In 2007, this customer accounted for 33.9% of revenues. Dorel believes that its commitment to providing a high-quality, industry-leading level of service has allowed it to develop successful and mutually-beneficial relationships with such major retailers as Wal-Mart, Target, K-Mart and Toys "R" Us. Dorel has achieved high levels of customer satisfaction by fostering particularly close contacts between its sales representatives and clients. To this end, Dorel has a permanent, full-service account team dedicated exclusively to Wal-Mart, located near Wal-Mart's headquarters in Bentonville, Arkansas. Dorel has also engaged account teams dedicated exclusively to Target, K-Mart and Toys "R" Us. These dedicated account teams give Dorel's customers the assurance that inventory and supply requirements will be met and that any problems will be immediately addressed. The account teams also provide product and market analysis and can assist with product specification and design.

Dorel believes that the trend among its mass merchant customers is to buy from fewer but larger suppliers who are able to deliver a wide range of products, provide greater security of supply and render increased levels of service. Dorel believes that its ability to deliver a wide range of products on a reliable basis, combined with its demonstrated commitment to service, provides it with an important competitive advantage in this environment.

Dorel's relationship with each of Wal-Mart, Target, K-Mart and Toys "R" Us has the additional benefit of providing Dorel with important feedback which it uses to improve its product offerings and to respond rapidly to changing market trends.

### ***Foreign Operations***

In 2008, 63% of Dorel's sales took place in the United States, 5% in Canada and 32% in Europe and elsewhere. In 2007, these percentages were 66% in the United States, 5% in Canada and 29% in Europe and elsewhere. The origin of Dorel's sales in 2008 from its various facilities is as follows: United States – 55%, Canada – 11%, Europe – 27% and elsewhere – 7%. In 2007 these percentages were: United States – 57%, Canada – 11%, Europe – 25% and elsewhere – 7%.

### ***Components***

Dorel purchases raw materials, component parts and finished goods. The main commodity items purchased for production include particleboard and plastic resins, as well as corrugated cartons. Key component parts include car seat and futon covers, hardware, buckles and harnesses and futon frames. These parts are derived from textiles, and a wide assortment of metals, plastics, and wood. The Company's finished goods purchases are largely derived from steel, aluminum, resins, textiles, rubber, and wood.

### ***Intangible Properties***

Strong consumer brands are an important element of Dorel's strategy. As examples, in North America, Dorel's Cannondale and Schwinn product lines are two of the most recognized sporting goods brand names. Safety 1<sup>st</sup> is a highly-regarded Dorel brand in the North American juvenile products market. In Europe, B  b   Confort is universally recognized and has superior brand awareness in France. Throughout Europe, the Maxi-Cosi brand had become synonymous with quality car seats. These brands, and the fact that Dorel has a wide range of other brand names, allows for product and price differentiation within the same product categories. Additionally, Dorel is the sole owner of all patents, brands and manufacturing licenses for its products. The loss of any one of these patents would not adversely impact Dorel's operations.

### ***Cycles***

Though revenues at the operating segments within Dorel may vary in their seasonality, for the Company as a whole variations between quarters are not significant. With the growth in the Recreational/Leisure Segment, revenues in the second quarter were the highest of all the quarters. However, even with the increase in that segment, the proportion of annual sales in the second quarter remains at less than 30% of the annual total.

### ***Competitive Conditions***

As regards the Juvenile Segment, Dorel is among the three largest juvenile products companies in North America, along with Graco (a part of the Newell Group of companies) and Evenflo Company Inc. In Europe, Dorel is also one of the largest juvenile products companies, competing with companies such as Britax, Peg Perego, Chicco, Bugaboo, Jane and Graco, as well as several smaller companies. Within its principal categories, Dorel's combined juvenile operations make it the largest juvenile products company in the world.

In Recreational/Leisure, brand differentiation is an important part of the bicycle industry with different brands being found in the different distribution channels. High end bicycles and brands would be found in IBD's and some sporting goods chains, whereas the other brands can be purchased in mass market retailers. Consumer purchasing patterns are generally influenced by economic conditions, weather and seasonality. Principal competitors include Huffy, Dynacraft, Trek, Giant, Specialized, Scott and Raleigh. In Europe, the market is much more fragmented as there is additional competition from much smaller companies that are popular in different regions.

Dorel's Home Furnishings Segment participates in the North American furniture industry. Dorel ranks in the top ten of North American furniture manufacturers and marketers and has a strong foothold in both North American manufacturing and importation of furniture, with a significant portion of its supply coming from its own manufacturing facilities and the balance through sourcing efforts in Asia. Dorel is also the number two manufacturer of RTA furniture in North America. Products are distributed from our North American manufacturing locations as well as from several distribution facilities. The Dorel Home Furnishings Segment has many competitors including Sauder Mfg. in the RTA category, Meco in the folding furniture category, and Werner in ladders.

Although the diversity of products and fragmented markets of the home furnishings and recreational products industries make useful comparisons difficult, Dorel believes that the following table sets out the major competitors of each of its business segments:

**Juvenile Segment****North America**

Evenflo  
Graco  
The First Years  
Fisher Price  
Britax  
Summer

**Europe**

Britax / Avent  
Chicco / Graco  
Babycar / Team Tex  
Peg Perego / Jane  
Bugaboo

**Recreational/Leisure Segment**

Huffy  
Dynacraft  
Trek  
Derby  
Giant  
Specialized  
Raleigh

**Home Furnishings Segment**

Sauder  
Lifetime / Tri-Cam  
Werner / Louisville Ladder Group  
Meco  
Mylex / Z-Line  
Linon  
Victoryland  
Delta  
Dutailier  
Simplicity  
Imports from the Orient

***Product Development***

Product development is an important element of Dorel's past and future growth. As a growing consumer products company, Dorel has invested heavily in this area, focusing on innovation, quality, safety and speed to market with several design and product development centres. Each of Dorel's operating segments generally introduces a large number of new products. Additionally, quality control is an essential part of Dorel's competitive position. Most products are developed to exclusive specifications and rigid safety standards, particularly as regards the Juvenile Segment.

North American research and development is done at several locations. Juvenile products are conceived, designed and developed at DJG's Foxboro, Massachusetts location. Car seat engineering is done at DJG's plant in Columbus, Indiana. This facility includes a 25,000 square foot area with respect to car seats and also new home furnishings products carried by the Cosco Home & Office division. Furniture products and futons are conceived and developed at a design centre at Ameriwood's head office in Wright City, Missouri as well as at Dorel Home Products in Montreal, Quebec. In Europe, development is carried out in Helmond, the Netherlands and Cholet, France. Recreational products are conceived and designed principally in Bethel, Connecticut, Madison, Wisconsin and Vancouver, British Columbia.

As new product development is vital to the continued success of Dorel, it must make capital investments in research and development, moulds and other machinery, equipment and technology. It is expected that Dorel will invest at least \$25.0 million USD over the course of 2009 to meet its new product development and other growth objectives. It is expected that these capital additions will be funded by cash flow generated from existing operations.

***Environmental Protection***

To Dorel's knowledge, all Dorel segments currently operate within existing environmental regulations. Dorel assumed certain environmental liabilities and contingencies associated with the Dowagiac, Michigan facility acquired with the purchase of Ameriwood in 1998. At December 30, 2008 the balance of the provision recognized in connection with this contingency amounts to \$190,000 USD. Any amounts incurred in excess of the provision are not expected to have a material adverse affect on the Company.

***Employees***

At the end of fiscal 2008, Dorel employed approximately 4,700 people in 18 countries. Approximately 3,100 of these employees are based in North America, of which 1,100 are unionized. These unionized employees are subject to a total of five collective agreements. The majority of the remaining 1,600 employees are based in Europe, of which 200 are unionized. These unionized employees are subject to a total of four collective agreements.

**RISK FACTORS*****General Economic Conditions***

The general economic conditions have worsened over the course of 2008 and into the early part of 2009. Recent economic projections by various governmental and other agencies have predicted that these negative conditions are likely to continue into 2009 and perhaps 2010. With higher unemployment and worsening consumer sentiment, it is likely that available

discretionary income will decline and reduce consumer spending at the retail level. While Dorel is not immune to these conditions, the nature of the great majority of the Company's products, and the customers to which Dorel's products are sold, protect the Company to a certain extent. Over the course of Dorel's 47 year history, the Company has experienced several economic downturns and its products have proven to be ones that consumers continue to purchase.

In the Juvenile Segment, the Company believes that demand for its products remains steady as child safety is a constant priority and parents require products that fill that need regardless of economic conditions. In Home Furnishings, Dorel concentrates exclusively on value priced items and sells the majority of its products through the mass merchant distribution channel. During difficult economic times, when shopping for furniture, consumers are likely to spend less and tend to eschew furniture store outlets and shop at the mass merchants for reasonably priced items. In Recreational/Leisure, the Company's newest segment, the Company believes that recent consumer trends that consider health and environmental concerns will also help buffer this segment against possible declines in overall consumer spending. In addition, Dorel offers a great deal of product in the value priced product category available at its mass merchant customers. This means that should consumers elect to spend less on a particular recreational product, Dorel has alternatives to higher priced items.

### ***Product Costs and Supply***

Dorel purchases raw materials, component parts and finished goods. The main commodity items purchased for production include particleboard and plastic resins, as well as corrugated cartons. Key component parts include car seat and futon covers, hardware, buckles and harnesses, and futon frames. These parts are derived from textiles, and a wide assortment of metals, plastics, and wood. The Company's finished goods purchases are largely derived from steel, aluminum, resins, textiles, rubber, and wood.

In 2008, all raw material prices increased significantly in the first half of the year followed by decreases in the second half. Resin prices increased by as much as 30% in North America and 10% in Europe in the first three quarters, before declining in the fourth quarter. Particleboard pricing in North America increased close to 15% in the first nine months of the year before beginning to decline. However, unlike other commodities, the decline in particleboard pricing was tempered by the fact that supply is limited, meaning prices did not decline as significantly as other commodities.

Dorel is among North America's top 20 importers in terms of container volume from the Far East. Container freight costs were higher in 2008 relative to 2007 as significantly higher fuel surcharges impacted both ocean and inland transportation costs in both North America and Europe. Container freight rates started decreasing in the fourth quarter of 2008 and rates should continue to decline during the first half of 2009 due to decreased demand and oversupply issues.

The Company's suppliers of components and finished goods were also faced with significant price increases on steel, resin, rubber, textiles, and foam, ranging anywhere from 20% to 40% during the first half of the year before prices began to decline. Similar to past years, the Company's suppliers based in China faced additional costs over and above raw material price fluctuations. The Chinese currency ("RMB") continued its level of appreciation versus the United States dollar, rising 6.5% year-over-year. Furthermore, labour costs in China rose on average by 25% during 2008.

Dorel relies on its suppliers for both finished goods and raw materials and has always prided itself on establishing successful long-term relationships both domestically and overseas. The recent economic downturn and related fall in demand has forced many manufacturers, particularly in China, to cease operations. As of now, Dorel has not been adversely affected by these events and is actively working with its supplier base to ensure that the flow of product is not interrupted. Should one or more of the Company's major vendors be unable to supply Dorel, this could have an adverse affect on the Company going forward.

### ***Foreign Currency Fluctuations***

As a multinational company Dorel uses the United States dollar as its reporting currency. As such, Dorel is subject to risk due to variations in currency values against the United States dollar. Foreign currency risk occurs at two levels; operational and translational. Operational currency risk occurs when a given division either incurs costs or generates revenues in a currency other than its own functional currency. The Company's operations that are most affected by operational currency risk are those that operate in the Euro zone, the United Kingdom, Canada and Australia. Translational risk occurs upon conversion of non-US functional currency divisions' results to the United States dollar for reporting purposes. As Dorel's European and Australian operations are the only significant subsidiaries that do not use the US dollar as their functional currency, translational risk is limited to only those operations. The two major functional currencies in Europe are the Euro and Pound Sterling.

Dorel's European and Australian operations are negatively effected by a stronger United States dollar as portions of its purchases are in United States dollars, while its revenues are not. Dorel's Canadian operations generally benefit from a stronger United States dollar as large portions of its revenues are generated in the United States and the majority of its costs are in Canadian dollars. This situation is mitigated somewhat by Dorel's Canadian juvenile operations that import United States dollar denominated goods and sells to Canadian customers. As a result, over the past several years, the weakening of the United States dollar against the Euro, Pound Sterling and Canadian dollar has had an overall impact that was not material year-over-year as the impacts offset. However, the offsetting impacts occur in different segments, meaning the negative impact of a stronger United States dollar occurs in the Juvenile Segment while the positive impact occurs mainly in the Home Furnishings Segment. The Recreational/Leisure impact is generally neutral, with its European operations offsetting against its Canadian operations.

Where advantageous, the Company uses options, futures and forward contracts to hedge against these adverse fluctuations in currency. However, the Company does not employ hedge accounting and is required under GAAP to re-value these hedging instruments to market value at the end of each period. As such, there is a timing difference between the accounting impact and the cash flow impact. In 2008, the Company marked these contracts to market value and recorded significant unrealized accounting gains on these contracts for which the cash flow benefit will only occur in 2009. Further details on the Company's hedging strategy and the impact in the year can be found in note 14 to the Company's year-end financial statements.

While the Canadian operations and European operations help offset a possible negative impact of changes in the United States dollar, a significant change in the value of the United States dollar would affect future earnings.

### ***Concentration of Revenues***

For the year ended December 30, 2008, one customer accounted for over 10% of the Company's revenues, at 30.4% of Dorel's total. In 2007, this customer accounted for 33.9% of revenues. Dorel does not have long-term contracts with its customers, and as such revenues are dependent upon Dorel's continued ability to deliver attractive products at a reasonable price, combined with high levels of service. There can be no assurance that Dorel will be able to sell to such customers on an economically advantageous basis in the future or that such customers will continue to buy from Dorel.

### ***Customer and Credit Risk***

The majority of the Company's revenue is derived from sales to major retail chains in North America and Europe. The balance of Dorel's sales are made mostly to specialty juvenile stores in Europe and independent bike dealers in both the United States and Europe. To minimize credit risk, the Company conducts ongoing credit reviews and maintains credit insurance on selected accounts. Should certain of these major retailers cease operations, there could be a material short term adverse effect on the Company's consolidated results of operations. In the long term, the Company believes that should certain retailers cease to exist, consumers will shop at competitors at which Dorel's products will generally also be sold.

### ***Product Liability***

As with all manufacturers of products designed for use by consumers, Dorel is subject to numerous product liability claims, particularly in the United States. At Dorel, there is an ongoing effort to improve quality control and to ensure the safety of its products. The Company is insured for product liability by the use of both traditional insurance and self-funded insurance programs, which mitigate its product liability exposure. No assurance can be given that a judgment will not be rendered against it in an amount exceeding the amount of insurance coverage or in respect of a claim for which Dorel is not insured.

### ***Income Taxes***

The Company's current organizational structure has resulted in a comparatively low effective income tax rate. This structure and the resulting tax rate are supported by current domestic tax laws in which the Company operates and by the interpretation and application of these tax laws. The rate can also be affected by the application of income tax treaties between these various jurisdictions. Unanticipated changes to these interpretations and applications of current domestic tax laws, or to the tax rates and treaties, could impact the effective income tax rate of the Company going forward.

### ***Product and Brand Development***

To support continued revenue growth, the Company must continue to update existing products, design innovative new items, develop strong brands and make significant capital investments. The Company has invested heavily in product development and plans to keep it at the centre of its focus. In addition, the Company must continue to maintain, develop and strengthen its end-user brands. Should the Company invest in or design products that are not accepted in the marketplace, or if its products

are not brought to market in a timely manner, and in certain cases, fail to be approved by the appropriate regulatory authorities, this could negatively impact future growth.

### ***Regulatory Environment***

The Company operates in certain industries which are highly regulated and as such is bound to operate within constraints imposed by various regulatory authorities. In recent years greater concern regarding product safety has resulted in more onerous regulations being placed on the Company as well as on all of the Company's competitors operating in these industries. Dorel has always operated within this environment and has always placed a great deal of resources on meeting these obligations, and is therefore well positioned to meet these regulatory requirements. However, any future regulations that would require additional costs could have an impact on the Company going forward.

### ***Liquidity and Access to Capital Resources***

Dorel requires continued access to capital markets to support its activities. Part of the Company's long-term strategy is to grow through the acquisition of complementary businesses that it believes will enhance the value of the Company for its shareholders. To satisfy its financing needs, the Company relies on long-term and short-term debt and cash flow from operations. The recent severe tightening of global credit markets has made new loans, even for creditworthy businesses, extremely difficult or expensive to obtain. However, the Company's banking relationships are strong and its credit facilities are secured into 2010. Any impediments to the Company's ability to access capital markets, including significant changes in market interest rates, general economic conditions or the perception in the capital markets of the Company's financial condition or prospects, could have a material adverse effect on the Company's financial condition and results of operation.

### ***Valuation of Goodwill and other Intangible Assets***

As part of annual impairment tests, the value of goodwill and other indefinite life intangible assets are subject to significant assumptions, such as future expected cash flows, comparable market transaction multiples and assumed discount and weighted average cost of capital rates. In addition, the value of customer relationship intangible assets recognized includes significant assumptions in reference to customer attrition rates and useful lives. Should current market conditions adversely effect the Company's expectations of future results, this could result in a non-cash impairment being recognized at some point in the future. Additionally, in the current market environment, some of the other assumptions could be impacted by factors beyond the Company's control. For example, the absence of, or lower, comparable market transaction multiples or more conservative risk assumptions could materially affect these valuations and could require a downward adjustment in the value of these intangible assets in the future.

## **DIVIDENDS**

During fiscal 2008, the Company declared and paid four quarterly dividends in the amount of twelve and one-half cents (\$0.125 USD) per share on the Class A Multiple Voting Shares, Class B Subordinate Voting Shares and Deferred Share Units of the Company for an aggregate amount \$0.50 USD per share, or \$16.7 million USD. In 2007, the first year in which dividends were declared, three quarterly dividends were paid in the amount of twelve and one-half cents (\$0.125 USD) per share on the Class A Multiple Voting Shares, Class B Subordinate Voting Shares and Deferred Share Units of the Company for an aggregate amount \$0.375 USD per share, or \$12.5 million USD. Under the Company's current financing arrangements, the payment of dividends is prohibited if the Company is in default under its credit agreement. These financing arrangements also include certain customary financial covenants that may indirectly restrict the Company's ability to pay dividends.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The designation of each class and series of the Company's authorized share capital is as follows:

- An unlimited number of preferred shares without nominal or par value, issuable in series (none of which are outstanding as at the date hereof);
- An unlimited number of Class A Multiple Voting Shares (ten votes per share) without nominal or par value, convertible at any time at the option of the holder into Class B Subordinate Voting Shares on a one-for-one basis; and
- An unlimited number of Class B Subordinate Voting Shares (one vote per share) without nominal or par value,

convertible into Class A Multiple Voting Shares, under certain circumstances, if an offer is made to purchase the Class A Multiple Voting Shares.

### MARKET FOR SECURITIES

The Company's Class A Multiple Voting Shares and Class B Subordinate Voting Shares are listed on the Toronto Stock Exchange under the symbols DII.A and DII.B, respectively.

The Company's Class B Subordinate Voting Shares were also listed on NASDAQ under the symbol DIIB until March 29, 2007. On March 7, 2007, the Company announced its intention to voluntarily delist its Class B Subordinate Voting Shares from NASDAQ. On March 19, 2007, Dorel filed a notification of removal from listing on NASDAQ on Form 25 with the SEC. As a result, the Class B Subordinate Voting Shares were delisted from NASDAQ as of March 29, 2007.

The following provides, the price range and volume traded of each type of security for each month of 2008:

Month	Class A Multiple Voting Shares - Toronto Stock Exchange			Class B Subordinate Voting Shares - Toronto Stock Exchange		
	Price Range (in Canadian dollars)		Volume Traded	Price Range (in Canadian dollars)		Volume Traded
	Low	High		Low	High	
January	\$ 26.01	\$ 29.60	9,500	\$ 25.86	\$ 30.00	1,428,200
February	\$ 28.00	\$ 32.00	10,400	\$ 27.25	\$ 32.36	1,201,200
March	\$ 28.77	\$ 32.06	10,900	\$ 28.77	\$ 32.76	1,678,600
April	\$ 29.75	\$ 31.50	5,200	\$ 28.60	\$ 31.50	1,372,300
May	\$ 30.05	\$ 31.25	4,600	\$ 29.50	\$ 31.54	1,860,400
June	\$ 29.01	\$ 31.50	4,100	\$ 28.60	\$ 31.75	2,626,500
July	\$ 28.92	\$ 32.25	11,600	\$ 28.03	\$ 32.43	2,939,000
August	\$ 31.20	\$ 34.00	13,300	\$ 30.91	\$ 34.60	1,519,300
September	\$ 32.91	\$ 36.00	10,300	\$ 32.18	\$ 36.50	1,902,600
October	\$ 26.00	\$ 33.99	9,500	\$ 25.00	\$ 33.50	1,961,000
November	\$ 23.00	\$ 30.01	9,800	\$ 22.23	\$ 31.25	2,148,500
December	\$ 20.00	\$ 28.59	6,800	\$ 19.61	\$ 28.45	1,991,300

## DIRECTORS AND SENIOR OFFICERS

As at the date of this Annual Information Form, the name, place of residence, period during which each has served as a director where applicable, offices held with the Company and principal occupations of each of the directors and senior officers of the Company are as follows:

<u>Name and place of residence</u>	<u>Director since</u>	<u>Office</u>	<u>Principal occupation</u>
Martin Schwartz..... Montreal, Quebec, Canada	1987	President, Chief Executive Officer and Director	President and Chief Executive Officer of the Company
Jeff Segel ..... Montreal, Quebec, Canada	1987	Executive Vice-President, Sales and Marketing and Director	Executive Vice-President, Sales and Marketing of the Company
Alan Schwartz..... Montreal, Quebec, Canada	1987	Executive Vice-President, Operations and Director	Executive Vice-President, Operations of the Company
Jeffrey Schwartz ..... Toronto, Ontario, Canada	1987	Executive Vice-President, Chief Financial Officer, Secretary and Director	Executive Vice-President, Chief Financial Officer and Secretary of the Company
Frank Rana..... Montreal, Quebec, Canada	—	Vice-President, Finance and Assistant-Secretary	Vice-President, Finance and Assistant Secretary of the Company
Edward Wyse..... Montreal, Quebec, Canada	—	Vice-President, Global Procurement	Vice-President, Global Procurement of the Company
Maurice Tousson <sup>(1)(2)</sup> ..... Toronto, Ontario, Canada	1995	Lead Director	President and Chief Executive Officer CDREM Inc. (retailer)
Harold P. (Sonny) Gordon, Q.C. <sup>(1)(2)</sup> Sunny Isles, Florida, U.S.A.	2003	Director	Chairman Dundee Corporation (financial services, wealth management and investment company)

<u>Name and place of residence</u>	<u>Director since</u>	<u>Office</u>	<u>Principal occupation</u>
Dian Cohen <sup>(2)</sup> ..... Toronto, Ontario, Canada	2004	Director	Corporate Director (economic consultant)
Alain Benedetti, FCA <sup>(1)</sup> ..... Montreal, Quebec, Canada	2004	Director	Corporate Director
Richard L. Markee Bernardsville, New Jersey, U.S.A.	2008	Director	Operating Partner Irving Place Capital (Institutional Private Equity firm)

(1) Member of the Audit Committee

(2) Member of the Human Resources and Corporate Governance Committee

During the last five years, each of the directors and senior officers have been engaged in their present principal occupations or in other executive capacities with the companies indicated opposite their names, with the exception of: (i) Mr. Alain Benedetti, who prior to July 2004 was Vice-Chairman at Ernst & Young LLP; and (ii) Mr. Richard L. Markee, who from February to November 2006 was Corporate Vice-Chairman at Toys “R” Us, Inc. Prior to that Mr. Markee held various executive positions also at Toys “R” Us. The term of each of the directors listed above will expire at the next annual general meeting of shareholders of the Company.

### ***Beneficial Ownership***

As at December 30, 2008, the directors and senior officers beneficially owned in the aggregate, directly or indirectly, or exercised control or direction over, 3,070,400 Class A Multiple Voting Shares, representing 72.6% of the issued and outstanding Class A Multiple Voting Shares, and 1,823,639 Class B Subordinate Voting Shares, representing 6.3% of the issued and outstanding Class B Subordinate Voting Shares of the Company.

To the knowledge of the Company, none of the foregoing directors or senior officers of the Company:

- (a) is as of the date of this Annual Information Form, or within the last ten years of the date of this Annual Information Form, has been a director or executive officer of any company that, while that person was acting in that capacity:
  - (i) was the subject of a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days;
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in such company becoming the subject of a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days; or
  - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, with the exception of Mr. Gordon, who was a director of Great Northern Paper, Inc., a private U.S. corporation, until June 3, 2002, approximately seven months before such corporation filed for an arrangement under Chapter 11 of the United States Bankruptcy Code in January 2003, followed by its liquidation in May 2003; or
- (b) has, within the last ten years of the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

To the knowledge of the Company, none of the foregoing directors or senior officers of the Company has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the normal course of business activities, Dorel is subject to various legal actions, none of which involve any claim for damages exceeding ten percent, exclusive of interest and costs, of Dorel's current assets. Dorel contests these actions and believes that their resolution will not have a material adverse impact on the Company's financial condition.

During fiscal 2008, the Company was not subject to any penalty or sanction imposed by a court relating to securities legislation or by a securities regulatory authority and did not enter into any settlement agreement.

## TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc., at its principal offices in Toronto, Ontario, is the registrar and transfer agent for the Class A Multiple Voting Shares and Class B Subordinate Voting Shares of the Company.

## NAMES AND INTEREST OF EXPERTS

The Company's external auditors are KPMG LLP, 600 de Maisonneuve Boulevard West, Suite 1500, Montreal, Quebec H3A 0A3, who reported on the consolidated financial statements as at December 30, 2008 and for the year then ended, which financial statements have been filed under Quebec *Regulation 51-102 respecting Continuous Disclosure Obligations* and *National Instrument 51-102 Continuous Disclosure Obligations*. KPMG LLP is independent in accordance with auditors' rules of professional conduct in Quebec.

## INFORMATION ON THE AUDIT COMMITTEE

### *Audit Committee Charter*

The Audit Committee Charter sets out the roles and responsibilities of the Audit Committee of the Company. A copy of the charter is attached hereto as Schedule B.

### *Composition of the Audit Committee*

The Audit Committee is composed of Messrs. Alain Benedetti, FCA, Maurice Tousson and Harold P. "Sonny" Gordon, Q.C. Each member of the Audit Committee is independent and financially literate within the meaning of Quebec *Regulation 52-110 respecting Audit Committees* and *Multilateral Instrument 52-110 Audit Committees*.

### *Financial Literacy*

Each member of the Audit Committee has a good command of generally accepted accounting principles and has the ability to understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. This section describes at greater length how these members acquired that financial literacy.

**Alain Benedetti, FCA:** Mr. Benedetti is the retired Vice-Chairman of Ernst & Young LLP, where he worked for 34 years, most recently as the Canadian area managing partner, overseeing all Canadian operations. Prior thereto, he was the managing partner for eastern Canada and the Montreal office. Mr. Benedetti has extensive experience with both public and private companies and currently serves on the Board of Directors of Russel Metals Inc and Birks & Mayors Inc. and as a Governor of Dynamic Mutual Funds. A former Chair of the Canadian Institute of Chartered Accountants, Mr. Benedetti has served on the Audit Committee of the Company since 2004 and has been its chairperson since early 2005.

**Maurice Tousson:** Mr. Tousson is currently the President and Chief Executive Officer of CDREM Inc., a chain of retail stores known as *Centre du Rasoir* or *Personal Edge*, a position he has held since January 2000. Mr. Tousson has held executive positions at well-known Canadian specialty stores, including Consumers' Distributing and Sports Experts, with responsibilities for operations, finance, marketing and corporate development. Currently, Mr. Tousson sits on the board of directors of Le Château and several privately-held companies. Mr. Tousson holds an MBA degree from Long Island University in New York.

**Harold P. "Sonny" Gordon, Q.C.:** Harold "Sonny" Gordon, Q.C. has been Chairman of the Board of Directors of Dundee Corporation since November 2001, prior to which he was Vice-Chairman of Hasbro Inc., a position he held until May 2002. Mr. Gordon has previously worked as a special assistant to a Minister of the Government of Canada, and was a managing

partner of Stikeman Elliott LLP during his 28-year career as a practicing lawyer. In addition to Dundee, Mr. Gordon also serves as a director on the boards of Madacy Holding Inc., Pethealth Inc., SFK Pulp Inc., and Transcontinental Inc.

***Pre-approval Policies and Procedures for Audit and Non Audit Services***

In 2003, the Audit Committee adopted a policy regarding the breadth of services provided by external auditors. This policy forbids the Company from hiring external auditors to provide certain non-auditing services. Under certain exceptions, the policy provides that the Company may hire external auditors to provide non-audit services that are not prohibited, on condition that they are pre-approved by the Audit Committee. A copy of the policy is attached hereto as Schedule C.

***External Auditor Service Fees (by Category)***

In 2008, the Company’s auditors were KPMG, LLP. The table below represents all fees paid to the Company’s auditors for the years ended December 30, 2008 and 2007:

	<b>Years ended December 30</b>	
	<b>2008</b>	<b>2007</b>
	(in U.S. dollars)	
Audit services .....	\$ 1,897,000	\$ 1,560,400
Audit related services.....	16,600	17,350
Tax services .....	—	6,000
Non-audit services .....	—	—
<b>TOTAL .....</b>	<b>\$ 1,913,600</b>	<b>\$ 1,583,750</b>

1. Audit fees were charged for professional services rendered by the auditors for the audit of the Company’s annual financial statements or services provided in connection with certain statutory and regulatory filings or engagements.
2. Audit-related fees were charged 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 as part of audit fees, including the audit of employee retirement benefit plans.
3. Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services consisted of tax compliance (including the review of tax returns, assistance with questions regarding tax audits and preparation of certain employee tax returns), and tax planning and advisory services relating to common forms of domestic and international taxation.

**ADDITIONAL INFORMATION**

Additional information, including directors’ and officers’ remuneration and indebtedness (if any), principal holders of the Company’s securities, and securities authorized for issuance under equity compensation plans, that is not included herein, will be contained in the Company’s Management Proxy Circular to be issued in connection with the Company’s annual general meeting of shareholders to be held on May 27, 2009. Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional financial information may be found in the Company’s financial statements and MD&A for the fiscal year ended December 30, 2008.

**Schedule A**

**Major Companies within the Dorel Industries Inc. Group  
As of December 30, 2008**

<b>Name</b>	<b>Jurisdiction of Incorporation</b>
<b>North America</b>	
Dorel Industries Inc.	Quebec
Sugoi Performance Apparel Limited	British Columbia
Ameriwood Industries, Inc.	Delaware
Ameriwood Industries, Inc.	Michigan
Ameriwood Industries, Inc.	Ohio
Cannondale Bicycle Corporation	Delaware
Dorel Juvenile Group, Inc.	Massachusetts
Dorel Design and Development, LLC	Indiana
Pacific Cycle Inc.	Delaware
<b>Europe</b>	
Dorel (U.K.) Limited	United Kingdom
Maxi Miliaan B.V.	The Netherlands
Cannondale Europe B.V.	The Netherlands
Dorel Germany GmbH	Germany
Maxi-Cosi France SA	France
Dorel France SA	France
Dorel Belgium SA	Belgium
Dorel Hispania SA	Spain
Dorel Italia SpA	Italy
Dorel Juvenile Switzerland SA	Switzerland
Dorel Portugal Lda	Portugal
BeBe and Co SAS	France
Bambinid SAS	France
AMPA 2P SAS	France
Dorel Suisse SARL	Switzerland
Dorel Hungary Ltd.	Hungary
<b>Other</b>	
Dorel Consulting (Shanghai) Co., Ltd.	People's Republic of China
IGC Dorel Pty Ltd.	Australia
Cannondale Australia Pty Ltd.	Australia
Cannondale Japan KK	Japan
In Good Care (New Zealand) Ltd.	New Zealand
Dorel Limited	Barbados
Dorel Asia SRL	Barbados
Dorel Finance Limited	Barbados
Dorel Capital Limited	Barbados
Dorel Investments Limited	Barbados

## **Schedule B**

### **DOREL INDUSTRIES INC.**

#### **AUDIT COMMITTEE CHARTER**

The Audit Committee of the Board of Directors of Dorel Industries Inc. (the “Company”) assists the Board of Directors in fulfilling its oversight responsibilities relating to the quality and integrity of the accounting, auditing, and reporting practices of the Company and such other duties as directed by the Board of Directors or imposed by legislative and securities and exchange authorities.

#### **• STRUCTURE AND ORGANIZATION**

1. The Committee will be composed solely of Directors who are independent of the management of the Company and are free of any relationship that, in the opinion of the Board of Directors, may interfere with their exercise of independent judgment as a Committee member, all in accordance with applicable securities and exchange regulations.
2. The membership of the Committee will consist of at least three independent members of the Board of Directors. Committee members and the Committee Chairman shall be designated by and serve at the pleasure of the Board of Directors. All members must be financially literate and at least one member shall be designated as the “financial expert” as defined by applicable legislation and regulation. The Committee shall appoint a Secretary who need not be a Director of the Company.
3. The Committee shall meet at least four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary. The required quorum is two out of three members, or three out of four members, depending on the total number of members on the Committee at the time of the meeting.
4. The Committee has the authority to maintain free and open communication with management, internal audit and the external auditors.
5. The Committee has the authority to investigate any matter brought to its attention and to retain independent counsel, accountants, or others for this purpose if, in its judgment, that is appropriate. The Committee further has the authority to set and pay the compensation for any advisors employed by the Committee.
6. Members of the Audit Committee are prohibited from receiving any payment, either directly or indirectly, from the Company other than for the Board of Directors or Audit Committee membership.
7. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services provided that such services meet the definition pursuant to securities and exchange regulations. Such pre-approval must be presented to the Committee by the respective member at its first scheduled meeting following such pre-approval.
8. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

#### **• GENERAL RESPONSIBILITIES**

1. Meet periodically with representatives of the external auditors, the Director, Internal Audit, and management in separate sessions to discuss any matters that the Committee or these groups believe should be discussed privately (in camera) with the Committee. Provide sufficient opportunity for the external auditors to meet with the internal auditors as appropriate without members of the management being present.
2. Submit the minutes of all Committee meetings to the Board of Directors and regularly report to the Board of Directors about Committee activities and issues that arise with respect to the quality of integrity of the Company’s financial statements, the Company’s compliance with legal or regulatory requirements, the performance and independence of the Company’s independent auditors and the performance of the internal audit function.
3. Review and reassess the adequacy of this Charter annually.

## **• RESPONSIBILITIES FOR ENGAGING EXTERNAL AUDITORS**

1. Recommend for approval by the Board of Directors and ratification by the shareholders the selection and retention of an independent firm of Chartered Accountants as external auditors, for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services; approve compensation of the external auditors; and review and approve in advance the discharge of the external auditors.
2. Review the independence of the external auditors. In considering the independence of the external auditors, the Committee will review the nature of the services provided by the external auditors' firm and the fees charged, and such other matters as the Committee deems appropriate.
3. Arrange for the external auditors to be available to the Board of Directors at least annually to help provide a basis for the Board's approval of the external auditors' appointment.
4. Pre-approve all non-audit related services to be provided by the Company's external auditors on a case-by-case basis provided that such services meet the definition pursuant to securities and exchange regulations.

## **• RESPONSIBILITIES FOR OVERSIGHT OF THE QUALITY AND INTEGRITY OF ACCOUNTING, AUDITING, AND REPORTING PRACTICES OF THE COMPANY**

1. Review the annual audited financial statements and quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", with management and the external auditors prior to release. The Committee should review each quarterly earnings announcement with management (and the external auditors if desired) prior to release. These discussions should cover the quality of the financial reporting, and such other matters as the Committee deems appropriate.
2. Review with management and the external auditors the results of the audit, including any difficulties encountered. This will also include a review of any restrictions on the scope of the independent auditor's activities or on access to requested information.
3. Ensure adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure referred to in (1), and periodically assess the adequacy of those procedures.
4. Review disclosures made by the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Secretary during the Form 40-F and Form 52-109F certification process about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the Company's internal controls.
5. Review with the external auditors and management the audit plan, including scope and approach, of the external auditors for the current year and the following year.
6. Review the adequacy and effectiveness of the accounting, financial, and computerized information systems controls of the Company. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's response.
7. Establish procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters. Such complaints are to be treated confidentially and anonymously.
8. Review and approve all related party transactions undertaken by the Company.
9. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

## • PERIODIC RESPONSIBILITIES

1. Review periodically with management any legal and regulatory matters that may have a material impact on the company's financial statements, compliance policies, and compliance programs.
2. Review with management and approve transactions involving management and/or members of the Board of Directors, which would require disclosure under securities and exchange regulations.
3. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
4. Review services and related fees for work done by the external auditors in the period and newly pre-approved services since the prior meeting as well as an updated projection of the total costs for the fiscal year.
5. Review the process for communicating the Code of Conduct to Company personnel, and for monitoring compliance therewith.
6. Review with the Director, Internal Audit the charter, plans, activities, staffing and organization structure of the internal audit function. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Director, Internal Audit.
7. Discuss with management the Company's major policies with respect to risk assessment and risk management.
8. Perform such other functions assigned by law, the Company's charter or bylaws, or by the Board of Directors.

## Schedule C

### DOREL INDUSTRIES INC.

#### POLICY REGARDING PROCUREMENT OF AUDIT SERVICES AND NON AUDIT SERVICES

The primary purpose of this Policy is to ensure that Dorel Industries Inc. (the “Company”) engages its public accountants to only provide permitted audit and non-audit services that are compatible with maintaining independence. The Company recognizes that investor confidence in public companies is based in part on the maintenance of independence, in fact and in appearance, by the public accounting firms that perform financial statement audits for those companies. The Company and its Audit Committee believe that it is prudent to establish a formal policy to define the basis upon which our external auditors may be engaged to provide audit and non-audit services. Services discussed below where external auditors are engaged require the pre-approval of the Audit Committee, in accordance with this Policy.

This Policy applies to the Company and all corporations, subsidiaries, branches and other entities directly or indirectly owned by the Company that are included in the Company’s consolidated financial statements. This Policy is to be approved annually by the Company’s Audit Committee or more frequently as necessary due to change in statute or regulatory rule-making.

The responsibility for ensuring that the Company’s external auditor is engaged to perform only those services that are compatible with maintaining the firm’s independence from the Company rests with its external auditor, the Executive Vice-President, Chief Financial Officer and Secretary, the Vice-President, Finance and Assistant Secretary, the Corporate Controller and the Audit Committee. Annually, the Vice President, Finance and Assistant Secretary will prepare a summary of the fees paid to the external auditor for audit and other permitted services, for inclusion in the annual proxy statement.

In accordance with this Policy, all audit services and related fees have to be pre-approved by the Audit Committee. To allow efficiency in the performance of such services, the Chairman of the Audit Committee can act on behalf of the Committee by providing pre-approval, between meetings of the Committee. He will report such approval at the next Committee meeting.

Any questions or interpretations of such matters should be addressed by the Audit Committee.

For the purposes of this Policy, the scope of external auditor services is classified into the following categories.

#### **PERMITTED SERVICES**

##### *Audit Services/Audit Related*

These services generally are highly correlated with the role of an independent auditor.

Such services include matters such as analysis and interpretation of accounting principles and their application.

#### **1. AUDIT SERVICES:**

- Audits of consolidated financial statements including quarterly reviews, consultation on accounting issues, attendance at Audit Committee meetings, and use of specialists in connection with the foregoing.
- Assistance in the implementation of new accounting principles.
- Audits of opening balance sheets of acquired companies.
- Compliance letters, agreed-upon procedures, reviews and similar reports based on audited financial statements and the role of external auditors as independent auditors.
- Audits of financial statements and transactions that are used by lenders, filed with government and regulatory bodies and similar reports.

## **2. AUDIT RELATED SERVICES:**

- Services that result from the role of the firm as independent auditor such as reviews of exchange commission filings, letters to underwriters.
- Employee benefits plan audits and revenues of relevant filings.

## **3. TAX SERVICES:**

These services are expressly allowed under this Policy:

- Tax return and tax accrual reviews, consultations and assistance.
- Tax planning and other compliance related consultation or services.

Tax services cannot however be based on confidential transactions or aggressive interpretation of tax rules.

Fees for tax services may not be on a contingency basis.

Pre the execution of the proposed service, the external auditor is to provide a description of the proposed tax service to the Audit Committee detailing how it could or could not hamper external auditor independence.

## **4. SPECIFIC APPROVALS:**

These services are allowed if specific pre-approval is given by the Audit Committee:

- Employee benefit plan advisory services.
- Cash management and treasury advisory services.
- Strategic planning support (e.g., corporate, business unit, information technology).
- Forensic and other investigative services if directed by the Board of Directors or its Audit Committee.

## **RESTRICTED SERVICES**

Restricted services are those services that may not be provided by external auditors, as they are considered by statute or in the Company's opinion to be incompatible with the role of an independent auditor, unless it is reasonable to conclude that the results of the service would not be subject to audit procedures during an audit of the Company's financial statements. Areas of doubt must be submitted to the Audit Committee in advance of the commitment.

- Bookkeeping or other services related to accounting records or financial statements (e.g., recording journal entries, reconciling accounts, processing data, preparing financial statements, etc.).
- Internal audit services.
- Appraisals, valuation services or fairness opinions.
- Signing tax returns (including payroll tax returns) on behalf of the Company.
- Actuarial services.
- Signing or co-signing cheques.

- Acting as an agent for the Company.
- Human resources functions (managerial position search and evaluation activities).
- Payroll services.
- Broker-Dealer services (including underwriting, promoting, investment banking and investment management).
- Maintaining custody of the Company's funds.
- Acting in a capacity equivalent to that of the Company's management or employees, or performing any decision making, supervisory or ongoing monitoring functions for the Company.
- Financial Information systems design and/or implementation.
- Legal services.
- Expert witness or testimony services, except where specifically related to the Company's accounting policy, procedure, or audited financial statements.
- Providing tax services to management members (or their immediate family) who have a role in financial reporting.
- All other consulting or auditing services of any nature, except as specifically allowed in other sections above.