



***ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009***

March 31, 2010

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FORWARD-LOOKING STATEMENTS

TransForce Inc. (the “**Corporation**”) may make statements in this annual information form that reflect its current expectations regarding future results of operations, performance and achievements. These are “forward-looking” statements and reflect management’s current beliefs. They are based on information currently available to management. Words such as “may”, “could”, “should”, “would”, “believe”, “expect”, “anticipate” and words and expressions of similar import are intended to identify these forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and those presently anticipated or projected. The Corporation wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. The following important factors could cause the Corporation’s actual financial performance to differ materially from that expressed in any forward-looking statement:

- (1) The highly competitive conditions that currently exist in the Corporation’s market and the Corporation’s ability to compete;
- (2) The Corporation’s ability to recruit, train and retain qualified drivers;
- (3) Increases in fuel prices, and the Corporation’s ability to recover these costs from its customers;
- (4) Foreign currency fluctuations;
- (5) The impact of environmental standards and regulations;
- (6) Changes in governmental regulations applicable to the Corporation’s operations;
- (7) Adverse weather conditions;
- (8) Accidents
- (9) The market for used equipment;
- (10) Changes in interest rates;
- (11) Cost of liability insurance coverage;
- (12) Downturns in general economic conditions affecting the Corporation and its customers; and
- (13) Illiquid credit markets.

The foregoing list should not be construed as exhaustive, and the Corporation disclaims any obligation subsequently to revise or update any previously made forward-looking statements unless required to do so by applicable securities laws. Unanticipated events are likely to occur. Readers should also refer to the section entitled “Risk Factors” in this annual information form for additional information on risk factors and other events that are not within the Corporation’s control. The Corporation’s future financial and operating results may fluctuate as a result of these and other risk factors.

ORGANIZATIONAL STRUCTURE

In this annual information form, the term “Corporation” means TransForce Inc., a corporate entity incorporated on March 28, 2008 pursuant to the *Canada Business Corporations Act*, its subsidiaries and, as the case may be, its predecessors.

The Corporation was incorporated for the purpose of acquiring all of the issued and outstanding units of TransForce Income Fund (the “Fund”) and “tracking share units” of TFI Holdings Inc. (“TFI Holdings”) an indirect subsidiary of the Fund, pursuant to a plan of arrangement under which the Fund was converted into the Corporation. The Corporation, through its subsidiaries, continues to operate the transportation business

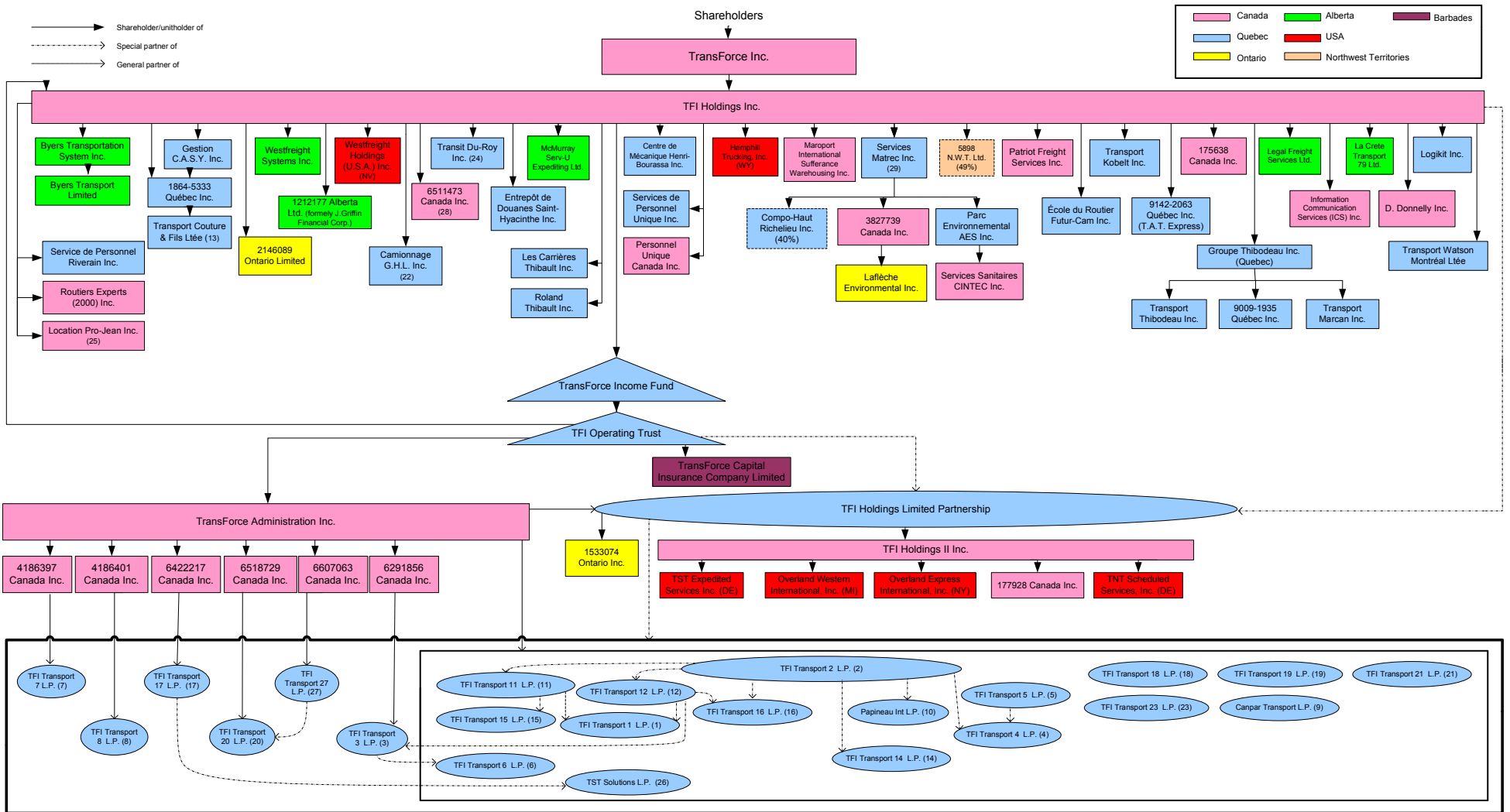
of the Fund, and the former unitholders of the Fund continue to own, through the Corporation, an economic interest in the business of the Fund.

The Fund resulted from the conversion on September 30, 2002 of TransForce Inc. (“TFI”), a corporate entity incorporated on April 30, 1985 pursuant to the *Companies Act* (Québec) into an income trust. The Fund, through its subsidiaries, continued to operate the transportation business of TFI, and the former shareholders of TFI continued to own, through the Fund, an economic interest in the business of TFI.

TFI was formerly known as 2320-2351 Québec Inc. Its Articles were amended on October 9, 1985, October 1, 1986, July 22, 1987, October 19, 1987, March 4, 1988, July 5, 1989 and May 30, 1995, in each case changing its share capital. The Articles were also amended on October 1, 1986 to change the corporate name to Groupe Cabano d’Anjou Inc. and on August 7, 1987 to change the corporate name to Cabano Expeditex Inc. On October 19, 1987, Cabano Expeditex Inc. amalgamated with Location Speribel Inc. The Articles were subsequently amended on December 4, 1990 to change the corporate name to Groupe Transport Cabano Inc./Cabano Transportation Group Inc., on May 30, 1995 to change the corporate name to Cabano-Kingsway Inc. and on April 23, 1999 to change the corporate name to TransForce Inc.

The head office of the Corporation is located at 8585 Trans-Canada Highway, Suite 300, Saint-Laurent, Québec H4S 1Z6.

The diagram set out on the following page sets out the organizational structure of the Corporation as at the date hereof and the jurisdiction or incorporation of each of the entities therein. Unless otherwise indicated, each of the entities is wholly-owned, directly or indirectly, by the Corporation.



GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation, through its wholly owned subsidiaries, continues to operate the business of the Fund and of TFI prior to their respective conversions. The Corporation's transportation business origins can be traced back to 1957. In the mid-1990s, after nearly 40 years of operations, the Corporation updated its corporate strategy for the evolving North American transportation market. To this end, in 1996 a new management team led by Mr. Alain Bédard, the Chairman of the Board, President and Chief Executive Officer of the Corporation, was appointed upon the recommendation of the Corporation's principal shareholder.

The new management team identified three key objectives for the Corporation: (i) increase revenues from profitable business segments and customers; (ii) strengthen the Corporation's position in the North American transportation market; and (iii) achieve a more balanced revenue mix. To achieve these three objectives, the management team implemented a strategic plan aimed at expanding the Corporation's operations beyond its traditional Less-Than-Truckload ("LTL") base as well as increasing the Corporation's geographic footprint, primarily by entering the trans-border market. The Corporation has carried out its strategic plan, in large part by acquiring profitable and well-managed companies offering services throughout North America in segments of the transportation industry not traditionally served by the Corporation, such as Package and Courier, Truckload ("TL") and Specialized Services. The Corporation's independent subsidiaries are recognized for their professional expertise. The Corporation will continue to carry out this strategy.

As part of the strategic plan, in March 1998, the Corporation entered the trans-border TL business with the acquisition of Entreprises de Transport J.C.G. Inc., which was complemented by the acquisition of Papineau International Transport Inc. in October 1998. The major acquisition of TST Solutions Inc. and its subsidiaries in March 2000 allowed TFI to significantly increase its share of the trans-border LTL market and also provided an entry into the Specialized TL market. A second major acquisition, that of Canpar Transport Ltd. in July 2002, enabled the Corporation to achieve its goal of becoming a full service transportation provider, by adding Parcel Delivery to its LTL service offering. In 2004, the Corporation made two other major acquisitions: in January 2004, the Corporation completed the acquisition of substantially all of the assets of Canadian Freightways Limited and its associated companies, which increased route density and extended the Corporation's LTL and TL operations across Canada, particularly in the western provinces and in the United States. Canadian Freightways also offers Specialized Services in the areas of logistics and fleet management, customs brokerage and bonded warehousing and international freight forwarding; and in October 2004, the Corporation completed the acquisition of 3846113 Canada Inc. (Highland Transport), which strengthened the Corporation's presence in the TL transportation sector across Canada. In February 2005, the Corporation acquired Services Matrec Inc. and its subsidiaries. Services Matrec Inc. specializes in the integrated management of industrial, commercial and residential solid waste collection and treatment including waste, recyclable materials, yard waste, construction and demolition materials, and hazardous waste. Services Matrec Inc. was a catalyst for the expansion of the Corporation's Specialized Services business segment in a new area, the waste management services.

In 2006, the Corporation acquired Kos Corp Oilfield Transportation, Hemphill Trucking Ltd. and Streeper Contracting Ltd. These acquisitions provided the Corporation with a solid platform in the oilfield services sector. Kos, through its well-established position, serves as the foundation for this platform and as a catalyst for future growth within the sector.

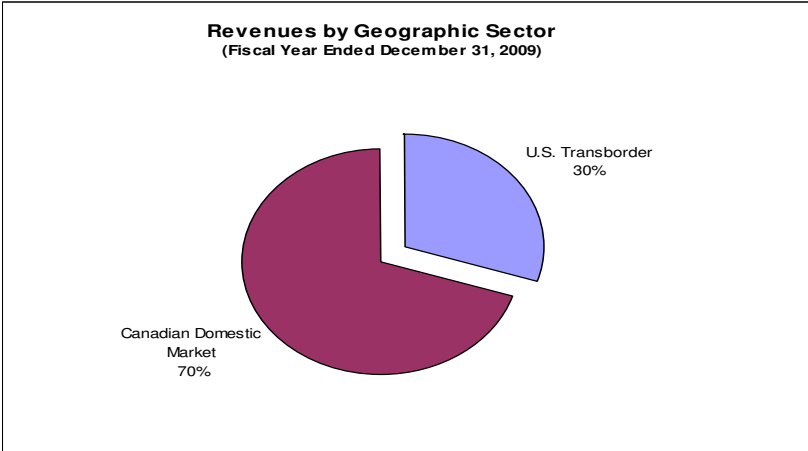
The Corporation's expansion in the oilfield services industry is consistent with its diversification strategy. The sector, with a traditionally strong first quarter, also provides the benefit of being counter-seasonal to the majority of the Corporation's other divisions.

In 2007, the Corporation acquired Location Beaudry, Les Consultants en Personnel Logipro 1997 Inc. and MTC Agence de Personnel Inc., introducing a new niche in the specialized services sector, namely the leasing of equipment as well as personnel placement services.

Since 1998, the Corporation has acquired more than 115 companies as part of its strategic plan. Among the criteria applied by the Corporation to the acquisition of companies is that such companies be profitable and led by experienced and competent management teams. Once acquired by the Corporation, the newly acquired companies operate as wholly-owned subsidiaries under their original names and management team. The Corporation continues to carry out this strategy.

As a result of the implementation of the strategic plan originated by TFI, the Corporation is today a leading player in the North American transportation industry, with revenues of \$1.85 billion for the fiscal year ended December 31, 2009. The Corporation has a solid financial position with customers covering a broad cross-section of industries and close to 13,900 employees including 1,800 owner-operators and 1,800 employees in the Corporation's Fleet Management and Personnel Services divisions. The Corporation offers its clients transportation solutions that are firmly supported by the specialization of its subsidiaries and the competence of its management and employees in their areas of expertise. More than ten years after the strategic plan was implemented, the Corporation now operates in four well-defined business segments: (i) LTL; (ii) Package and Courier; (iii) Specialized Services, which includes its ancillary transportation services such as logistics, fleet management & personnel services; oilfield & oilsand services, and waste management; and (iv) TL, which includes specialized truckload and dedicated services.

As a result of the strategic plan, the Corporation has been able to benefit from and expand its geographic market, as illustrated in the following chart, which sets out the geographic breakdown (domestic and Canada-U.S. trans-border) of the Corporation's consolidated revenues for the fiscal year ended December 31, 2009.



Strategic Acquisitions & Dispositions

Acquisitions

During the fiscal year ended December 31, 2009, the only important acquisition the Corporation made are the following:

Name	Date	Business Segment
D. Donnelly Inc.	March 1, 2009	TL
Transport Watson Montreal Ltée	May 1, 2009	TL
ATS Retail Solutions	November 19, 2009	Package and Courier

The aggregate acquisition cost of the foregoing companies was approximately \$65.9 million.

D. Donnelly Inc. is specialized in inter and intra trucking and international trucking services with annual revenues of approximately \$10 million.

Transport Watson Montreal Ltée is specialized in TL transportation with annual revenues of approximately \$10 million.

The acquired division of ATS Andlauer Transportation Services Limited Partnership (ATS) is specialized in providing integrated trucking, courier and distribution services to major consumer companies in Canada. It generates approximately \$120 million in annual revenue. It relies on 165 owner operators for the bulk of its business and employs a total of 447 employees.

All of the foregoing acquisitions were arm's length transactions. The Corporation did not file a business acquisition report pursuant to Form 51-102F4 for any of the above-mentioned acquisitions.

Subsequent Event

The Corporation effected the following transactions subsequent to its fiscal year end of December 31, 2009:

On March 1, 2010 the Corporation acquired, for cash consideration, the remaining 50% interest in Lafèche Environmental Inc. ("**Lafèche**"), one of the Company's actual joint venture. Lafèche operates a landfill in the Ottawa region.

On March 4, 2010 the Corporation sold one of its properties in Calgary for \$32.0 million and leased the property back.

DESCRIPTION OF THE BUSINESS

The Corporation is a leading player in the freight transportation and logistics industry. The Corporation believes that, through its operating subsidiaries, it directly services more urban centres than any other carrier in Canada. The Corporation offers its clients transportation solutions that are firmly supported by the

specialization of its wholly owned subsidiaries and the competence of its management and employees in their areas of expertise. The Corporation's scope extends to all of Canada and the United States. The Corporation offers efficient, global solutions to its clientele in four well-defined operational segments: (i) LTL; (ii) Package and Courier; (iii) Specialized Services, which includes its ancillary transportation services such as logistics, fleet management & personnel services; oilfield & oilsand services, and waste management; and (iv) TL, which includes specialized truckload and dedicated services. Through internal growth and acquisitions, the Corporation has significantly increased its geographic scope.

The LTL group provides partial-load general-freight shipment to customers across North America. The Package and Courier group offers non-expedited business-to-business Parcel Delivery across Canada. The Specialized Services Segment provides a wide range of logistics services including international freight forwarding, customs brokerage, fleet management, personnel placement agencies and integrated management of industrial, commercial, oilfield transportation services, and residential solid waste collection and treatment. The TL Segment provides full-load transport of general merchandise in North America while Specialized TL offers a wide variety of value-added services, including bulk material shipments, expedited deliveries, transport by open trailer and transport of explosives.

Trends

Demand for freight transport is closely linked to the state of the overall economy. Consequently, a change in general economic growth could impact the Corporation's performance. However, the Corporation's extensive customer base, broad geographic dispersion and participation in four distinct transport segments is expected to help mitigate the effects of any economic downturn.

Equipment

As at December 31, 2009, the Corporation owned or leased approximately 6,700 power units (including 1,800 owner operators) and more than 12,000 trailers. This includes approximately 900 trailers operated by the Corporation's Fleet Management Services.

Licences

In Canada, passenger and merchandise road transport licences are issued by provincial authorities. With respect to interprovincial transport, provincial authorities are delegated the right to issue licences according to the *Canada Transportation Act*. Provincial authorities exercise control over the issuance, modification and transfer of licences and govern in a general manner various aspects of licence holders' activities. In the United States, the *Department of Transportation* exercises similar authority. The operating subsidiaries of the Corporation have all the necessary licences to operate in Canada and the United States.

Markets and Distribution

The Corporation has a diverse customer base of clients operating across a broad cross-section of industries. Due to the breadth of its client base, a downturn in the activities of individual customers or in a particular industry is not expected to have a material adverse impact on the Corporation's operations. In the last several years, the Corporation concluded strategic alliances with other transport companies in North America, in order to offer its customers a network extending across Canada and the United States.

The activities conducted by the Corporation are subject to general demand for freight transportation. Historically, demand has been relatively stable with the first quarter being generally the weakest in terms of demand, both the second and third quarters being stronger, and the fourth quarter being the strongest. This is with the exception of the Corporation's oilfield & oilsand services group where the first and fourth quarters are the strongest and the second and third quarters are the weakest. The oilfield & oilsand services group thus provides a natural counterbalance to the Corporation's transportation cycles. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

Revenues
(in percentages)

During the fiscal years ended December 31, 2009 and 2008, the Corporation's revenues by business segment were as follows:

	Fiscal year ended December 31, 2009	Fiscal year ended December 31, 2008
LTL	28%	29%
Package & Courier	15%	13%
Specialized Services	23%	23%
TL	34%	35%

Competition

The transportation industry is fragmented and consists of relatively few large companies and many small companies serving target markets. The target markets are defined by geographical location, point-to-point service location, target customer industries and the type of service provided, such as LTL, Package & Courier, Specialized Services and TL or Specialized TL. The smaller operators typically operate in a highly specialized yet competitive environment in which the customer may have several alternative carriers available. Many of the large carriers are independent subsidiaries of larger transportation companies and offer a wide variety of freight services on a national basis.

Carriers compete primarily on price and on their ability to provide reliable, efficient and safe transportation services. The Corporation's main competitors in the LTL sector are Day & Ross Inc. and Manitoulin Transport Inc., in the parcel sector is Purolator Courier Ltd., in the TL sector are Challenger Motorfreight Inc. and SGT 2000 Inc., in the Specialized TL is Contrans Group Inc., in the Oilfield and Oilsand sector are Mullen Group Ltd. and Flint Energy Services Ltd. and in the waste management sector are IESI-BFC Ltd. (formerly BFI Canada Ltd.) and RCI Environment Inc.

In addition, the Corporation and other trucking operations must compete with other modes of transportation such as rail, airfreight and maritime transportation. These modes of transportation play an important role in the areas served by the Corporation.

Human Resources

As at December 31, 2009, the Corporation had, through its subsidiaries, approximately 13,900 employees, a majority of whom are subject to a number of collective agreements, including 1,800 owner-operators and 1,800 employees in the Corporation's Fleet Management and Personnel Services divisions who are mostly

non-unionized. The Corporation considers that it has a very low turnover rate of 7% among employees, compared to industry standards, and that employee relations are good. The Corporation ensures that a number of programs for driver training and client service are maintained. In conjunction with the continuous investments in new technologies, such as the use of on-board computers, the Corporation has extended its employee training programs to maximize the use of such technological tools. These initiatives are designed to ensure the quality of services provided to the Corporation's clientele while enabling it to better control its labour costs. The Corporation also works to ensure the successful integration and training of the employees of any newly acquired businesses, as applicable.

Environmental Matters

The operations and properties of the Corporation are subject to environmental laws and requirements in both Canada and the United States relating to, among other things, air emissions and the management of contaminants. A risk of environmental liabilities is inherent in transportation operations, historic activities associated with such operations and the ownership, management or control of real estate.

The cargo carried by the Corporation in its freight transportation operations can be classified as either non-regulated freight or regulated freight such as hazardous materials or environmentally regulated waste. Strict parameters must be met before the Corporation and the individual drivers are permitted to transport regulated freight. This involves specific insurance requirements, training programs and registration permits with the various provinces and states in which the Corporation operates.

A number of the Corporation's terminals provide full maintenance service and fuel facilities. Each terminal has a series of operational systems that have been implemented to control environmental impacts relating to its specific operation.

Following certain emission standards that came into effect in October 2002 in the United States, many transporters had to carry out upgrades on old trucks. Given the relatively new age of its fleet, the Corporation has not been required to make significant expenditures in this regard.

For 2009, the environmental management by the Corporation did not require significant expenditures with regard to the compliance of its ongoing operations or material remediation.

Trademarks

The Corporation has a total of 98 applied-for or registered trademarks in Canada and the United States, of which 90 are for use in Canada and 8 are for use in the United States. Of the foregoing trademarks, the most important ones are: (i) "TransForce" in Canada; (ii) "Kingsway" in Canada and the United States; (iii) "TST" family of trademarks in Canada and the United States; (iv) "CF" family of trademarks in Canada and the United States; (v) "ICS Courier" in Canada (vi) "Canpar" in Canada. In addition, the Corporation uses a number of unregistered trademarks. The Corporation re-evaluates its intellectual property portfolio on a regular basis and, in this regard, may deem it advisable to register additional trademarks in the future.

RISK FACTORS

The following are major risk factors facing the Corporation.

Competition. Deregulation in the transport field has increased the number of competitors as well as competition with respect to price. Competition is particularly strong in the Toronto-Montreal-Québec City corridor. In addition, the Corporation faces competition from other transporters in Ontario, Québec and in the northeast United States; certain of these competitors may through affiliations or otherwise have greater financial resources than the Corporation.

The North American waste management industry is very competitive. The Corporation faces competition in the waste management industry from several large and well-capitalized competitors and a large number of local and regional competitors. Some of the Corporation's competitors have significantly larger waste management operations, significant financial resources and greater name recognition with respect to waste management than the Corporation or may be able or willing to provide or bid their services at a lower price than the Corporation. Because companies can enter the collection segment of the non-hazardous solid waste management industry with very little capital or technical expertise, there are a large number of regional and local collection companies in the industry. The Corporation faces competition from these businesses in the markets and regions it currently serves.

Regulation. Notwithstanding the fact that the transportation industry is largely deregulated, carriers must obtain licences issued by provincial transport boards in order to carry goods inter-provincially or to transport goods within any province. Licensing from United States regulatory authorities is also required for the transportation of goods between Canada and the United States. Regulation of the operations of transportation companies may become more stringent over time. Any change in these regulations could have an adverse impact on the scope of the Corporation's transportation activities.

The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and laws. Although the Corporation is committed to compliance with laws and safety, there is no assurance that it will be in full compliance with them at all times. Consequently, at some future time, the Corporation could be required to incur significant costs to maintain or improve its compliance record.

The waste management business is subject to legislation and governmental regulations that may restrict the Corporation's waste management operations or increase its costs of operations.

The Corporation's waste management equipment, facilities and operations are subject to extensive and changing federal, provincial and local laws and regulations relating to environmental protection, health, safety, land use, transportation and related matters. These include, among others, laws and regulations governing the use, treatment, transportation, storage and disposal of hazardous substances and other wastes and materials, air emissions and quality, waste water discharges and water quality, permissible or mandatory methods of processing waste, the remediation of contamination and, in general, the emission of pollutants into the environment. Environmental laws and regulations have been enforced more stringently in recent years because of greater public interest in protecting the environment. In addition, federal, state, provincial and local governments may change the rights they grant to, and the restrictions they impose on,

waste management companies, and those changes could restrict the Corporation's waste management operations and growth.

The Corporation's compliance with regulatory requirements relating to waste management may be costly and, to so comply, the Corporation may be required to enhance, supplement or replace its waste management equipment and facilities. The Corporation may not be able to offset the cost of complying with these requirements. In addition, changes to environmental laws and regulations or a more stringent application or interpretation thereof may obligate the Corporation to spend amounts in addition to those currently accrued for such purposes.

The Corporation, through its subsidiary Services Matrec Inc., owns non-hazardous solid waste landfills located in the cities of Larouche, Chicoutimi and Granby, Québec and in Moose Creek, Ontario. Each of these sites is regulated and permitted by the relevant provincial ministry of the environment. The loss by the Corporation of any of these permits would have a material adverse effect on the Corporation's waste management business.

From time to time, provincial and local authorities enact laws or regulations imposing fees or other charges on waste disposed of at landfills located in those provinces. If any significant fees are imposed and the Corporation is not able to recover these fees from its customers, its operations and profitability could be negatively affected.

General Economic Conditions. Demand for freight transport and waste management is closely linked to the state of the overall economy. Consequently, a decline in general economic growth may adversely impact the Corporation's performance.

Interest Rate Fluctuations. The Corporation is subject to fluctuations in interest rates. The Corporation seeks to manage its interest rate exposure through interest swap contracts. The Corporation has approximately 79% of its long-term debt in variable-rate instruments and the remaining 21% at fixed rates. As at December 31, 2009, the Corporation had \$224.5 million of long-term debt at variable rates (net of \$337.9 million of interest rate swap contracts). A 1% change in interest rates would impact the Corporation's 2009 earnings before taxes by approximately \$2.2 million. Nonetheless, the Corporation does not anticipate an interest rate increase in the short-term that might have a negative effect on its operating results, financial position or cash flow.

Currency Fluctuations. In the normal course of business, the Corporation is subject to fluctuations in the value of the U.S. dollar. The Corporation manages this risk through the use of foreign exchange forward contracts. See the Financial Instruments section for more details on currency fluctuation.

The Corporation estimates its annual net U.S. denominated cash flow at approximately \$116 million (before forward exchange contracts) at December 31, 2009. A change of one cent in the exchange rate would impact the Corporation's earnings before taxes by approximately \$1.16 million on an annual basis (before forward exchange contracts).

Price of Fuel. The Corporation is at risk with respect to variations in the price of fuel. The Corporation is generally able to recover the majority of added fuel costs through surcharges to its customers. The cost of fuel ranges from 2% to 14% of revenue, depending on the operating segment.

Insurance. The Corporation's operations are subject to risks inherent in the transportation and waste management sectors. The Corporation subscribes for insurance in amounts which it considers appropriate in the circumstances and having regard to industry norms. The Corporation may become liable with respect to risks in respect of which it cannot obtain insurance or for which it chooses not to obtain insurance as a result of high premiums or for other reasons, or for damages which exceed the maximum coverage provided for in the insurance policies.

Collective Agreements. At the date hereof, the collective agreements between the Corporation and the vast majority of its unionized employees have been renewed, except for (i) five collective agreements which expired on November 1, 2009; (ii) four collective agreements which expired on December 31, 2009; (iii) one collective agreement which expired on January 31, 2010; (iv) one collective agreement which expired on February 3, 2010; (v) three collective agreements which expired on February 28, 2010; (vi) one collective agreement which expired on March 1, 2010; and (vii) two collective agreements which expired on March 23, 2010, all of which are currently under negotiation. The renewed collective agreements have a variety of expiration dates, ranging from March 31, 2010 to April 24, 2014. The Corporation cannot predict the effect which any new collective agreements or the failure to enter into such agreements upon the expiry of the current agreements may have on its operations.

Environmental Matters. The Corporation uses storage tanks at certain of its transportation terminals. Canadian and United States laws and regulations generally impose potential liability on the present or former owners or occupants or custodians of properties on which contamination has occurred. Although the Corporation is not aware of any contamination which, if remediation or clean-up were required, would have a material adverse effect on the Corporation, certain facilities have been in operation for many years and over such time, the Corporation or the prior owners, operators or custodians of the properties may have generated and disposed of wastes which are or may be considered hazardous. There can be no assurance that the Corporation will not be required at some future date to incur significant costs to comply with environmental laws, or that its operations, business or assets will not be materially affected by current or future environmental laws.

The Corporation, its transportation operations and its properties are subject to extensive and frequently changing federal, provincial, state, municipal and local environmental laws, regulations and requirements in both Canada and the United States relating to, among other things, air emissions, the management of contaminants including hazardous substances and other materials (including the generation, handling, storage, transportation and disposal thereof), discharges and the remediation of environmental impacts (such as the contamination of soil and water, including ground water). A risk of environmental liabilities is inherent in transportation operations, historic activities associated with such operations and the ownership, management or control of real estate.

With respect to its waste management business, the Corporation may be subject to orders, fines, penalties or other legal action relating to compliance with environmental laws and regulations, or to civil claims from parties alleging harm as a consequence of migrating contamination, odours, other releases in the environment or other environmental matters (including the acts or omissions of predecessor companies) for which the business may be responsible. The Corporation may also be subject to court challenges of its operating permits.

Environmental laws may authorize, among other things, federal, provincial, state and local environmental regulatory agencies to issue orders, bring administrative or judicial actions for violations of environmental laws and regulations or to revoke or deny the renewal of a permit. Potential penalties for such violations may include, among other things, civil and criminal monetary penalties, imprisonment, permit suspension or revocation, and injunctive relief. These agencies may also, among other things, revoke or deny renewal of the Corporation's operating permits, franchises or licenses for violations or alleged violations of environmental laws or regulations, and impose environmental assessment, removal of contamination, follow-up or control procedures.

Environmental Contamination. The Corporation may have liability for environmental contamination associated with its current or formerly owned or leased waste management facilities as well as third-party facilities. If the Corporation incurs liability under applicable federal, state, provincial or local laws and regulations and if it cannot identify other parties whom it can compel to contribute to its expenses and who are financially able to do so, it could have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation could be subject to orders and other legal actions and procedures brought by governmental or private parties in connection with environmental contamination, emissions or discharges. Any substantial liabilities associated with environmental contamination or emissions of pollutants generally, whether to federal, state, provincial or local environmental authorities or other parties, could have a material adverse effect on the Corporation's financial condition and results of operations.

Key Personnel. The future success of the Corporation will be based in large part on the quality of its management and key personnel. The loss of this key personnel could have a negative effect on the Corporation. There can be no assurance that the Corporation will be able to retain its current personnel or, in the event of their departure, to attract new personnel of equal quality.

Loan Default. The Corporation's current credit facilities and financing agreement impose covenants and obligations on the Corporation. There is a risk that such loans may go into default if there is a breach in complying with such covenants and obligations, which could result in the Corporation being restricted from paying dividends to the shareholders and the lenders realizing on their security and causing the Corporation to lose some or all of its investment.

Credit Facilities. The Corporation's credit facilities and financing agreement mature on various dates. There can be no assurance that such credit facilities or financing agreement will be renewed or refinanced, or if renewed or refinanced, that the renewal or refinancing will occur on equally favourable terms to the Corporation. The Corporation's ability to pay dividends to shareholders may be adversely affected if the Corporation is not able to renew its credit facilities or arrange refinancing, or if such renewal or refinancing, as the case may be, occurs on terms materially less favourable to the Corporation than at present.

Availability of Capital. The amount of cash available for dividends to shareholders may be dependent on the Corporation's ability to fund a portion of its capital expenditures and working capital with the current credit facilities and financing agreement. The Corporation may be required to reduce dividends or sell additional shares in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Corporation for necessary or desirable capital expenditures or that the amount required will be the same as currently estimated.

DISTRIBUTIONS / DIVIDENDS

Distributions

Prior to the conversion of the Fund into the Corporation, the Fund paid monthly cash distributions to unitholders of record on the last business day of each month on the 15th day of the following month. During the last three fiscal years, the distributions paid by the Fund were as follows:

February 2006

On February 10, 2006, the Fund announced that its regular monthly cash distributions would again increase, from \$0.1175 to \$0.125 per Trust Unit, representing an increase on an annual basis from \$1.41 to \$1.50 per Trust Unit. The increase came into effect on March 15, 2006 for unitholders of record on February 28, 2006.

April 2006

On April 26, 2006, the Fund announced that its regular monthly cash distributions would again increase, from \$0.125 to \$0.1275 per Trust Unit, representing an increase on an annual basis from \$1.50 to \$1.53 per Trust Unit. The increase came into effect on June 15, 2006 for unitholders of record on May 31, 2006.

February 2007

On February 26, 2007, the Fund announced that its regular monthly cash distributions would again increase, from \$0.1275 to \$0.1325 per Trust Unit, representing an increase on an annual basis from \$1.53 to \$1.59 per Trust Unit. The increase came into effect on April 15, 2007 for unitholders of record on March 31, 2007.

During the last three fiscal years, the Fund also declared special distributions and a final distribution as follows:

Special Distributions

On October 20, 2006, the Fund announced a special distribution in the amount of \$0.2627 per Trust Unit following the sale by the Fund of the hazardous waste and industrial cleaning operations of its waste management subsidiary Services Matrec Inc. The special distribution was paid on November 15, 2006 to unitholders of record on October 31, 2006 through the issuance of 0.0155 additional units at a price of \$13.248 per Trust Unit, representing the average closing price of the Trust Units on the Toronto Stock Exchange for the five trading days immediately prior to November 15, 2006. As a result, the Fund issued a total of 1,114,592 Trust Units.

Final Distribution

On May 5, 2008, the Fund announced that its final prorated distribution to its unitholders would be of \$0.06625 per Trust Unit. The final distribution was paid on June 13, 2008 to unitholders of record on May 15, 2008.

Dividends

Upon the conversion of the Fund to the Corporation in May 2008, the Corporation adopted a dividend policy which provides for the payment of a quarterly dividend payable on the 15th day following the end of each quarter to shareholders of record as of the last trading day of such quarter. For its fiscal year 2009, the Corporation declared four regular dividends of \$0.10 per common share for each of the first, second, third and fourth quarters.

The Corporation cannot declare or pay a dividend if it is in default under its credit agreement or if the payment of a dividend would cause the Corporation to be in default under its current credit facilities.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of common shares (the “**Common Shares**”) and preferred shares, issuable in series. At December 31, 2009, there were 95,253,937 Common Shares and no preferred shares issued and outstanding.

Common Shares

The Common Shares entitle the holders thereof to one vote per share. The holders of the Common Shares are entitled to receive any dividend declared by the Corporation on the Common Shares.

Subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Corporation, the holders of the Common Shares are entitled to receive the remaining property of the Corporation upon its dissolution, liquidation or winding-up.

Preferred Shares

The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by resolution of the directors, which shall determine the designation, rights, privileges, conditions and restrictions to be attached to the preferred shares of such series. There are no voting rights attached to the preferred shares except as prescribed by law. In the event of the liquidation, dissolution or winding up of the Corporation, or any other distribution of assets of the Corporation among its shareholders, the holders of the preferred shares of each series are entitled to receive, in priority over the Common Shares and any other shares ranking junior to the preferred shares of the Corporation, an amount equal to the redemption price for such shares plus an amount equal to any dividends declared thereon but unpaid and no more. The preferred shares of each series are also entitled to such other preferences over the Common Shares and any other shares ranking junior to the preferred shares as may be determined as to their respective series authorized to be issued. The preferred shares of each series shall be on a parity basis with the preferred shares of every other series with respect to payment of dividends and return of capital. There are no preferred shares currently issued and outstanding.

MARKET FOR SECURITIES

The Common Shares are listed on the Toronto Stock Exchange under the symbol TFI. The Common Shares are included in the S&P/TSX Equity, Capped Equity, Equity Completion and Equity SmallCap Indices. The table below sets out the price ranges and average daily volume traded for the Common Shares on a monthly basis during the fiscal year ended December 31, 2009.

<u>Month</u>		<u>High</u>		<u>Low</u>	<u>Volume</u>
January	\$	5.180	\$	3.900	152,069
February		4.450		3.340	224,247
March		3.990		2.780	151,746
April		4.860		3.270	206,110
May		5.980		4.600	108,684
June		6.550		5.580	128,647
July		7.220		4.910	175,260
August		7.970		6.750	263,780
September		8.550		7.000	208,218
October		8.660		7.200	154,211
November		7.420		6.800	143,413
December		8.890		6.830	210,368

DIRECTORS AND OFFICERS

The following table sets out the name, city, province and country of residence, position held with the Corporation and principal occupation of each person who is either a director or officer of the Corporation as of the date hereof and, if a director, the year in which the person became a director. Except as otherwise indicated, each person has held his or her principal occupation for the last five years. Each of the directors has been elected to serve until the next annual meeting of shareholders of the Corporation.

<u>Name, City, Province and Country of Residence</u>	<u>Position with the Corporation</u>	<u>Principal Occupation</u>	<u>Principal Occupation within the preceding five years</u>	<u>First Year as Director of the Corporation (or its predecessor)</u>
Alain Bédard, C.A., C.M.A. ⁽⁴⁾ , Calgary, Alberta, Canada	Director Chairman of the Board of Directors	Chairman of the Board of Directors, President and Chief Executive Officer of the Corporation	—	1993
André Bérard ⁽¹⁾⁽³⁾ Montreal, Québec, Canada	Lead Director	Corporate Director	—	2003

<u>Name, City, Province and Country of Residence</u>	<u>Position with the Corporation</u>	<u>Principal Occupation</u>	<u>Principal Occupation within the preceding five years</u>	<u>First Year as Director of the Corporation (or its predecessor)</u>
Lucien Bouchard ⁽³⁾ Montreal, Québec, Canada	Director Chairman of the Corporate Governance and Nominating Committee	Partner, Davies Ward Phillips and Vineberg LLP (law firm)	—	2007
Richard Guay ⁽¹⁾⁽²⁾⁽⁸⁾ Montreal, Québec, Canada	Director Chairman of the Human Resources and Compensation Committee	Corporate Director	—	2004
Ronald D. Rogers ⁽¹⁾⁽³⁾⁽⁵⁾ Calgary, Alberta, Canada	Director Chairman of the Audit Committee	Corporate Director	—	2006
Joey Saputo ⁽²⁾⁽⁷⁾ Montreal, Québec, Canada	Director	President Gestion Soplajoey Inc. (holding company)	Prior to 2006: different senior positions at Saputo Inc. (diary foods manufacturing company)	1996
Emanuele (Lino) Saputo ⁽⁶⁾ Montreal, Québec, Canada	Director	Chairman of the Board Saputo Inc. (diary foods manufacturing company)	—	2008
H. John Stollery, ENG. ⁽²⁾ Mississauga, Ontario, Canada	Director	Chairman of the Board Process Capital Corporation (manufacturing company)	—	2000
Johanne Dean Montreal, Québec, Canada	Vice President, Marketing and Communication	Vice-President, Marketing and Communication of the Corporation	—	—
Sylvain Desaulniers, CIRC Montreal, Québec, Canada	Vice President, Human Resources	Vice President, Human Resources of the Corporation	—	—
Josiane-M. Langlois, LL.M. Beaconsfield, Québec, Canada	Vice President, Legal Affairs & Corporate Secretary	Vice President, Legal Affairs & Corporate Secretary of the Corporation	Prior to 2005: Legal Advisor & Corporate Secretary of the Corporation	—
Chantal Martel, LL.B. Vaudreuil-Dorion, Québec Canada	Vice President, Insurance & Compliance	Vice President, Insurance & Compliance of the Corporation	Prior to 2006: Director of Compliance of the Corporation	—

Louis Gagnon, Rosemère, Québec, Canada	Vice President, Business Development	Vice President, Business Development of the Corporation	Prior to 2009: Region Sales Manager, Canada; from 2003 to 2007, Region General Manager from 2007 to March 2009 for GE division Trailer, Fleet Services	—
Martin Quesnel, CA Boucherville, Québec, Canada	Vice President, Finance	Vice President, Finance of the Corporation	Prior to 2009: Director, Administration of the Corporation from July 2000 to 2005 and Director, Finance of the Corporation from 2005 to November 2009 of the Corporation	—
Ken Tourangeau, CA Laval, Québec, Canada	Vice President, Administration	Vice President, Administration of the Corporation	Prior to December 2009, Assistant Controller of the Corporation from 2004 to 2006, Corporate Controller of the Corporation from 2006 to 2009 and Director, Business Development, Truckload Division of the Corporation from August 2009 to November 2009	—

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- (1) Member of the Audit Committee.
 - (2) Member of the Human Resources and Compensation Committee.
 - (3) Member of the Corporate Governance and Nominating Committee.
 - (4) Until May 2006 Alain Bédard was a director of Arbec Forest Products Inc. (formerly Uniforêt Inc.), which filed for protection under the *Companies' Creditors Arrangement Act* (Canada) in April 2001. In May 2003, the company entered into a plan of arrangement with its creditors, and completed the implementation of this plan in February 2004.
 - (5) Ronald D. Rogers was a director of GT Group Telecom Inc. ("GT"), sitting on the Board of Directors as a representative of Shaw Communications Inc. In early June 2002, Mr. Rogers resigned as a director of GT. GT filed for protection under the *Companies' Creditors Arrangement Act* (Canada) in late June 2002.
 - (6) Until July 2006, Emanuele (Lino) Saputo was a director of Arbec Forest Products Inc. (formerly Uniforêt Inc.), which filed for protection under the *Companies' Creditors Arrangement Act* (Canada) in April 2001. In May 2003, the company entered into a plan of arrangement with its creditors, and completed the implementation of this plan in February 2004.
 - (7) Joey Saputo was a director of 3741851 Canada Inc. (formerly Expert Medic Inc.), which was declared bankrupt under the *Bankruptcy and Insolvency Act* (Canada) on August 30, 2005.
 - (8) Richard Guay, who sits as a representative of Investissement Québec on the Board of Directors of Trimag G.P. Inc., the general partner of Trimag, S.E.C., a limited partnership which filed for protection under the *Companies' Creditors Arrangement Act* (Canada) in April 2009. In September 2009, the partnership entered into a plan of arrangement with its creditors and is currently completing the implementation of such plan..

As at December 31, 2009, the directors and executive officers of the Corporation, as a group, beneficially owned or otherwise exercised control or direction over, directly or indirectly, an aggregate of approximately 22,372,879 Common Shares, representing 23.5% of the issued and outstanding shares of the Corporation.

Except as set out in the notes to the table in this section entitled “Directors and Officers”, to the knowledge of the Corporation, none of the foregoing directors or executive officers of the Corporation (and with respect to (b) and (c) below, none of the shareholders of the Corporation holding a sufficient number of Common Shares to affect materially the control of the Corporation):

- (a) is, or within the last ten years has been, a director, chief executive officer or chief financial officer of any company that:
 - (i) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “Order”), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
 - (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- (b) is, or within the last ten years has been, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the last ten years, 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, her or its assets.

To the knowledge of the Corporation, none of the foregoing directors or executive officers of the Corporation and none of the shareholders of the Corporation holding a sufficient number of Common Shares to affect materially the control of the Corporation, 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.

Conflicts of Interest

To the knowledge of the Corporation, no director or officer of the Corporation or any of its subsidiaries has an existing or potential conflict of interest with the Corporation or any of its subsidiaries.

AUDIT COMMITTEE

Audit Committee Charter

The text of the Audit Committee charter is set out as Schedule A to this annual information form.

Audit Committee Composition

The Audit Committee is composed of three members, namely Ronald D. Rogers, Chairman, Richard Guay and André Bérard. Each member of the Audit Committee is independent and financially literate within the meaning of National Instrument 52-110 *Audit Committees*.

Relevant Education and Experience

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 Corporation's financial statements. This section describes at greater length how these members acquired their financial literacy.

Ronald D. Rogers, prior to his retirement in September 2004, was Senior Vice-President and Chief Financial Officer of Shaw Communications Inc.

Richard Guay, prior to his retirement in August 2003, held a number of senior positions with the Laurentian Bank of Canada, including Executive Vice-President.

André Bérard is a corporate director of several companies and prior to 2004 was Chairman of the Board of the National Bank of Canada.

Pre-approval Policies and Procedures for Non-Audit Services

The Audit Committee has adopted in its charter, a specific policy and procedure for the engagement of non-audit services.

External Auditor Service Fees (by Category)

The table below sets out all fees paid by the Corporation to its external auditor, KPMG LLP, Chartered Accountants, for the years ended December 31, 2009 and 2008:

	Year ended December 31,	
	2009	2008
Audit Fees	\$ 500,000	\$ 500,000
Audit-Related Fees ⁽¹⁾	85,898	93,075
Tax Fees ⁽²⁾	80,212	182,220
All Other Fees	-	-
TOTAL	\$ 666,110	\$ 775,295

(1) Audit-related fees were billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's annual financial statements and are not reported as part of audit fees (including review of interim financial statements).

(2) Tax fees were billed for professional services rendered for tax compliance, tax advice and tax planning.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management is not aware of any material litigation outstanding, threatened or pending as of the date hereof by or against the Corporation other than in the normal course of business.

During the fiscal year ended December 31, 2009, the Corporation was not subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority;
- (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; or
- (c) any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except for a private placement of 1,423,840 Common Shares to Jolina Capital Inc., the Corporation's principal shareholder, completed on August 13, 2009 for gross proceeds of \$8,329,464 to the Corporation, no directors or executive officers of the Corporation, and no person or corporation that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the Corporation's shares or any of their respective associates or affiliates, has or has had a material interest, direct or indirect, in any transaction, whether proposed or concluded, which had, or may have, a material effect on the Corporation or its subsidiaries within the three most recently completed financial years or during the current financial year.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares of the Corporation is Computershare Trust Company of Canada. The register of transfers of the Common Shares of the Corporation is located at the offices of Computershare Trust Company of Canada in Montreal and Toronto.

MATERIAL CONTRACTS

The only material contract, other than contracts entered into in the ordinary course of business, that is material to the Corporation and that was entered into during its last fiscal year is the following:

On July 28, 2009, the Corporation entered into an underwriting agreement with National Bank Financial Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., RBC Dominion Securities Inc. and Cormark Securities Inc. (collectively, the "**Underwriters**") pursuant to which the Corporation agreed, among other things, to issue and sell to the Underwriters 6,400,000 Common Shares and grant an option for the issue and sale of

an additional 640,000 Common Shares, at a price of \$5.85 per share. This offering was completed on August 13, 2009. The underwriting agreement was filed on SEDAR under the Corporation's profile at www.sedar.com on July 28, 2009.

NAME AND INTERESTS OF EXPERTS

KPMG LLP are the auditors who prepared the Auditors' Report with respect of the Corporation's Consolidated Financial Statements for the fiscal year ended December 31, 2009. KPMG LLP has confirmed to the Corporation that it is independent in accordance with the Code of Ethics of l'*Ordre des Comptables Agréés du Québec*.

ADDITIONAL INFORMATION

Additional information, including director's and officers' remuneration and indebtedness (if any), principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Corporation's Management Proxy Circular in respect of the annual meeting of the shareholders to be held on April 23, 2010.

Additional financial information is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis relating thereto for the fiscal year ended December 31, 2009.

These documents, as well as additional information relating to the Corporation, including any of the Corporation's news releases, are also available on SEDAR at www.sedar.com.



**Audit Committee Charter
Amended and restated December 2009**

PURPOSE

The primary function of the Audit Committee (the “**Committee**”) of TransForce Inc. (the “**Corporation**”) is to assist the Board of Directors (the “**Board**”) in fulfilling its oversight responsibilities by reviewing with its auditors: (a) the financial reports and other financial information provided by the Corporation to any governmental body or the public, being understood that the financial statements are the responsibility of management and that the Committee’s role is solely to assist the Board in fulfilling its oversight responsibilities; (b) the Corporation’s systems of internal controls regarding finance and accounting that management and the Board have established; and (c) the Corporation’s auditing, accounting and financial reporting processes generally.

All of the requirements in this Charter are qualified by the understanding that the role of the Committee is to act in an oversight capacity and is not intended to require a detailed review of the work performed by the external auditors unless specific circumstances are brought to its attention warranting such a review.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the external and internal auditors as well as anyone in the organization. The Committee has the ability to retain, at the Corporation’s expense, specific advisors, consultants or experts it deems necessary in the performance of its duties.

COMPOSITION

The Committee shall be composed of three or more Directors as determined by the Board. At least the majority members of the Committee must be independent (must be free of any relationship to the Corporation that may interfere with the exercise of their independence from management and the Corporation).

All members of the Committee must be financially literate and shall possess an understanding of financial statements, including balance sheet, income statement and cash flow statement or be able to do so within a reasonable period of time after his or her appointment to the Committee. At least one member of the Committee shall have accounting or related financial management expertise, as the Board, in its business judgment, interprets such qualification.

The members of the Committee shall be appointed by the Board at the annual or any regular meeting of the Board. The members of the Committee shall serve until their successors shall be duly elected and qualified or their earlier resignation or removal. The Chair of the Committee shall be appointed by the Chairman of the Board. If a Chair is not elected by the full Board or is not present at a particular meeting, the members of the Committee may designate a Chair by majority vote of the Committee membership in attendance.

MEETINGS

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee should meet at least annually with management, the independent members, the internal and external auditors and as a Committee, in separate executive sessions, to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee, or at least the Chair, should meet with the external auditors and financial management quarterly, either in person or telephonically, to review the Corporation's interim financial statements. The Committee Chair shall prepare and/or approve the agenda in advance of each meeting.

RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Committee shall perform the following:

Documents/Reports Review

- a) Review and reassess the adequacy of this Charter at least annually.
- b) Review and discuss with management and the external auditors the Corporation's annual audited financial statements prior to filing or distribution. This review and discussion should encompass the results of the audit, including significant issues regarding accounting principles, practices and judgments.
- c) Review with financial management the quarterly financial results prior to the earlier of the release of earnings or the filing of the Quarterly Reports. The Chair of the Committee may represent the entire Committee for purposes of this review, in case of emergency in the event the Committee is unable to meet.
- d) Review and discuss with management all significant issues surrounding corporate risk including insurance coverage and environmental issues as required.

Independent Accountants

- a) Recommend to the Board the selection of external auditors, considering independence and effectiveness and approve the fees and other compensation to be paid to the external auditors.
- b) Make clear that the external auditors for the Corporation are ultimately accountable to the Committee and the Board, that the Committee and Board have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the external auditors or to nominate the external auditor to be proposed for Shareholder approval in any proxy statement.
- c) Require the external auditors to submit on a periodic basis (but at least annually) to the Committee a formal written statement in accordance with Independence Standards delineating all relationships between them and the Corporation, actively engage in a dialogue with them with respect to any disclosed relationships or services that may impact their objectivity and independence, and recommend that the Board take

appropriate action in response to the report of the external auditors to satisfy itself of the external auditors' independence.

- d) Review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant.
- e) Discuss with the external auditors their audit plan.
- f) Review and approve in advance all non-audit services performed by the external auditing firm. Notwithstanding the foregoing:
 - i) the audit committee may delegate to one or more independent members the authority to pre-approve non-audit services. The pre-approval of non-audit services by any member to whom authority has been delegated must thereafter be presented to the audit committee at its first scheduled meeting following such pre-approval.
 - ii) when the aggregate amount of all the non-audit services is not more than One Hundred Thousand Dollars (\$100,000) to be paid by the Corporation to the Corporation's external auditor such non-audit are deemed to be pre-approved by the committee if they are approved by the CEO of the Corporation and provided that the services are promptly brought to the attention of the audit committee of the issuer at its first scheduled meeting following such non-audit services are given.
 - iii) The following non-audit services are strictly prohibited and shall in no circumstance be performed by the external auditing firm:
 - Bookkeeping or other services related to the Corporation's accounting records or financial statements;
 - Financial information systems design and implementation;
 - Appraisal or valuation services for financial reporting purposes;
 - Actuarial services for items recorded in the financial statements;
 - Internal audit outsourcing services;
 - Management functions;
 - Human resources;
 - Certain corporate finance and other services;
 - Legal services;
 - Certain expert services unrelated to the audit.

Internal Audit

- a) Review and concur in the appointment, replacement, reassignment or dismissal of the director of internal audit.
- b) Confirm and assure the independence of the internal auditor.
- c) Evaluate, in consultation the director of internal auditing, the audit scope and role of internal audit.

- d) In consultation with management and the external auditors, evaluate the effectiveness and independence of the Corporation's internal audit function including the reporting relationship to the Committee and the compliance with the Committee charter.
- e) Review with the director of internal audit and management, the audit plan, activities, staffing and organizational structure of internal audit.

Financial Reporting Processes

- a) In consultation with management and the external auditors, consider the integrity of the Corporation's financial reporting processes and controls and whether such controls are adequate.
- b) Discuss significant financial reporting issues including off balance sheet arrangements and/or special purpose entities and the steps management has taken to monitor, control and report such issues.
- c) Review significant findings prepared by the external auditors together with management's response.
- d) Prior to releasing the year-end earnings, discuss the results of the audit with the external auditors.
- e) Review the annual budget on an annual basis.
- f) Review and recommend the proposed dividend payouts on a quarterly basis.
- g) Discuss with the external auditors their judgments about the quality, not just the acceptability, of the Corporation's accounting principles as applied in its financial reporting.
- h) Based on the review and discussions referred to previously, recommend to the Board that the audited financial statements be included in the Corporation's Annual Report.
- i) Prepare a report of the Committee to be included in the Corporation's Proxy Circular for its Annual Meeting.

Other

- a) The Committee will establish procedures for the receipt, retention and treatment of any complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters.
- b) The Committee will review the accounting principles and practices.
- c) The Committee will establish procedures for the confidential, anonymous submission by the employees of the Corporation of concerns regarding questionable accounting or auditing matters.

- d) Nothing in this Charter will, or be deemed to, decrease or modify any manner adverse to any member of the Committee, such member's right to rely on statements and certifications made by Corporation's officers, employees, agents, counsel, experts and auditors.
- e) Nothing in this charter will, or will be deemed to, adversely affect in any manner the rights of members of the Committee to indemnification and advancement of expenses under the Corporation's By-Laws or under any contract, agreement, arrangement or understanding benefiting such member.
- f) Notwithstanding any other provision of this Charter, no provision of this Charter will, except to the extent required by applicable law, rule or regulation, be construed to create any duty, liability or obligation on the part of the Committee or its members.

The Committee relies on the expertise and knowledge of management and the public accounting firm in carrying out its oversight responsibilities. Management of the Corporation is responsible for determining that the Corporation's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. The public accounting firm is responsible for auditing the Corporation's financial statements. It is not the duty of the Committee to plan or conduct audits, to determine that the financial statements are complete, accurate and are in accordance with generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations of the Corporation's internal policies, procedures or controls.