

INTERTAPE POLYMER GROUP INC  
Form 20-F  
March 31, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 20-F**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE  
ACT OF 1934

OR

**X** ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the fiscal year ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-10928

**INTERTAPE POLYMER GROUP INC.**

(Exact name of Registrant as specified in its charter)

**Canada**

(Jurisdiction of incorporation or organization)

**9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada H4M 2X5**

(Address of principal executive offices)

**Burgess H. Hildreth, (941) 739-7500, bhildret@itape.com, 3647 Cortez Road West, Bradenton, Florida 34219**

(Name, Telephone, E-mail, and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act

Title of each class

Name of each exchange on which registered

**Common Shares, without nominal**

**Toronto Stock Exchange**

**or par value**

Securities registered or to be registered pursuant to Section 12(g) of the Act

Not applicable

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not applicable

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. As of December 31, 2010, there were

58,961,050 common shares outstanding

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

..

Yes

No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. " Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

..

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued

Other

by the International Accounting Standards Board

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

..

Yes

..

No

2

## TABLE OF CONTENTS

### Page

### PART I

#### Item 1:

##### Identity of Directors, Senior Management and Advisers

6

#### Item 2:

##### Offer Statistics and Expected Timetable

6

#### Item 3:

##### Key Information

6

##### A.

##### Selected Financial Data

6

##### B.

##### Capitalization And Indebtedness

6

C.

Reason for the Offer and Use of Proceeds

6

D.

Risk Factors

7

**Item 4:**

**Information on the Company**

14

A.

History and Development of the Company

14

B.

Business Overview

14

(1) Products, Markets & Distribution

17

(2) Sales and Marketing

23

(3) Manufacturing and Quality Control

23

(4) Equipment and Raw Material

23

(5) Research and Development and New Products

24



(6) Trademarks & Patents

25

(7) Competition

25

(8) Environmental Initiatives & Regulation

26

C.

Organizational Structure

27

D.

Property, Plants and Equipment

28

**Item 4A:**

**Unresolved Staff Comments**

30

**Item 5:**

**Operating and Financial Review and Prospects (Management's Discussion & Analysis)**

30

Business Overview

30

Liquidity

32

Outlook

33

Results of Operation

33

Sales

33

Gross Profit and Gross Margin

33

Selling, General and Administrative Expenses

34

Stock-Based Compensation

34

Operating Profit

34

Manufacturing Facility Closures, Restructuring and Other Charges

35

Impairment of Goodwill

35

Research and Development

36

EBITDA

36

Financial Expenses

37

Income Taxes

38

Net Loss

38

Loss Per Share

39

Comprehensive Income (Loss)

39

Results of Operations by Division

39

Results of Operations - Tapes & Film Division

39

Results of Operations - ECP Division

40

Results of Operations - Corporate

41

Off-Balance Sheet Arrangements

41

Related Party Transactions

41

3

Liquidity and Capital Resources

42

(i)

Cash Flow

42

(ii)

Working Capital

43

(iii)

Financial Risk Management, Objectives and Policies

44

(iv)

Capital Expenditures

45

Long-Term Debt and Financial Derivatives

45

Contractual Obligations

46

Capital Stock & Dividends

46

Distribution Rights Purchase Agreement

46

Pension and Post-Retirement Benefit Plans

47

Critical Accounting Estimates

47

International Financial Reporting Standards ( IFRS)

48

IFRS Adoption

48

IFRS Optional Exceptions

48

IFRS Mandatory Exceptions

49

Significant Changes in Accounting Policies upon Conversion to IFRS

49

Impact of Adoption of IFRS on our Company

51

Disclosure Controls and Internal Control over Financing Reporting

51

Additional Information

52

Forward Looking Statements

52

**Item 6:**

**Directors, Senior Management and Employees**

52

A.

Directors and Senior Management

52

B.

Compensation

54

C.

Board Practices

59

D.

Employees

61

E.

Share Ownership

62

62

**62**

**Item 7:**

**Major Shareholders and Related Party Transactions**

62

63

A.

Major Shareholders

62

63

B.

Related Party Transactions

63

C.

Interests of Experts and Counsel

63

**Item 8:**

**Financial Information**

64

A.

Consolidated Statements and Other Financial Information

64

B.

Significant Changes

65

**Item 9:**

**The Offer and Listing**

65

A.

Offer and Listing Details

65

B.

Plan of Distribution

66

C.

Markets

66

D.

Selling Shareholders

66

E.

Dilution

66

F.

Expenses of the Issue

66

**Item 10:**

**Additional Information**

66

A.

Share Capital

66

B.

Memorandum and Articles of Association

66

C.

Material Contracts

68

D.

Exchange Controls

68

E.



Taxation

69

F.

Dividends and Paying Agents

74

G.

Statement by Experts

74

H.

Documents on Display

74

I.

Subsidiary Information

**Item 11:**

**Quantitative and Qualitative Disclosures about Market Risk**

74

4

**Item 12:**

**Description of Securities Other than Equity Securities**

74

**PART II**

**Item 13:**

**Defaults, Dividend Arrearages and Delinquencies**

74

**Item 14:**

**Material Modifications to the Rights of Security Holders and Use of Proceeds**

74

**Item 15:**

**Controls and Procedures**

74

**Item 16:**

**Reserved**

75

**Item 16A:**

**Audit Committee Financial Expert**

75

**Item 16B:**

**Code of Ethics**

75

**Item 16C:**

**Principal Accountant Fees and Services**

75

**Item 16D:**

**Exemptions from the Listing Standards for Audit Committees**

76

**Item 16E:**

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

76

**Item 16F:**

**Change in Registrant's Certifying Accountant**

76

**Item 16G:**

**Corporate Governance**

76

**PART III**

**Item 17:**

**Financial Statements**

87

**Item 18:**

**Financial Statements**

87

**Item 19:**

**Exhibits**

87

**Signatures**

89

**PART I**

**Item 1:**

**Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2:**

**Offer Statistics and Expected Timetable**

Not applicable.

**Item 3:**

**Key Information**

**A.**

**SELECTED FINANCIAL DATA**

The selected financial data presented below for the five years ended December 31, 2010 is presented in U.S. dollars and is derived from Intertape Polymer Group Inc. s ( Intertape , Intertape Polymer Group , or the Company ) consolidated financial statements in U.S. dollars and prepared in accordance with Canadian generally accepted accounting principles ( GAAP ). The information set forth below was extracted from the consolidated financial statements and related notes included in this annual report and annual reports previously filed and should be read in conjunction with such consolidated financial statements.

**As at and for the Year Ended December 31**  
**2010      2009      2008      2007      2006**  
(in millions of U.S. dollars except percentages, shares and per share data)

**Statements of Earnings:**

|                                  |          |          |          |         |           |
|----------------------------------|----------|----------|----------|---------|-----------|
| Net Sales                        | 720,516  | 615,462  | 737,155  | 767,272 | 812,285   |
| Net Earnings (Loss) before Taxes | (24,590) | (10,374) | (89,359) | 3,924   | (197,407) |
| Net Earnings (Loss)              | (56,445) | (14,389) | (92,799) | (8,393) | (166,693) |
| Earnings (Loss) per Share        |          |          |          |         |           |
| Basic                            | (0.96)   | (0.24)   | (1.57)   | (0.19)  | (4.07)    |
| Diluted                          | (0.96)   | (0.24)   | (1.57)   | (0.19)  | (4.07)    |

**Balance Sheets:**

|                                     |            |            |            |            |            |
|-------------------------------------|------------|------------|------------|------------|------------|
| Total Assets                        | 506,105    | 535,853    | 575,166    | 702,799    | 692,386    |
| Capital Stock                       | 348,148    | 348,143    | 348,174    | 348,174    | 287,323    |
| Shareholders' Equity                | 186,834    | 237,803    | 233,317    | 360,010    | 273,718    |
| Number of Common Shares Outstanding | 58,961,050 | 58,951,050 | 58,956,348 | 58,956,348 | 40,986,940 |
| Dividends Declared per Share        | nil        | nil        | nil        | nil        | nil        |

**B.****CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**C.****REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.



D.

## RISK FACTORS

*Current economic conditions and uncertain economic forecast adversely affect the Company's results of operations and financial conditions.*

Unfavorable changes in the global economy have affected the demand for the Company's products. Adverse economic conditions could also increase the likelihood of customer delinquencies. A prolonged period of economic decline would have a material adverse effect on the results of operations, gross margins, and the overall financial condition of the Company, as well as exacerbate the other risk factors set forth below.

*Fluctuations in the amount of available funds under the Company's Asset Based Loan would restrict the Company's ability to borrow under its revolving loan.*

The Company's credit facility is an asset-backed loan. A reduction in the eligible assets and receivables included in the borrowing base or an increase in the required reserves will reduce the Company's available credit under the Asset Based Loan (ABL). A decline in the borrowing base could also require an unscheduled repayment of funds already advanced in excess of the available credit amount.

*The Company's Asset Based Loan contains a financial covenant which if not met, will result in an event of default.*

The Company's ABL contains a fixed charge ratio which becomes effective only when unused availability under the borrowing base drops below \$25 million. The Company's failure to comply with this covenant could result in an event of default, which, if not cured or waived, could result in the Company being required to repay these borrowings before their scheduled due date. If the Company were unable to make this repayment or otherwise refinance these borrowings, the lenders under the ABL could elect to declare all amounts borrowed under the Company's ABL, together with accrued interest, to be due and payable, which, in some instances, would be an event of default under the Indenture governing the Senior Subordinated Notes. In addition, these lenders could foreclose on the Company's assets. If the Company were unable to refinance these borrowings on favorable terms, the Company's results of operations and financial condition could be adversely impacted by increased costs and less favorable terms, including interest rates and covenants. Any future refinancing of the Company's ABL is likely to contain similar or more restrictive covenants and financial tests.



***The Company may not be able to generate sufficient cash flow to meet its debt service obligations.***

The Company's ability to generate sufficient cash flows from operations to make scheduled payments on its debt obligations will depend on its future financial performance, which will be affected by a range of economic, competitive, regulatory, legislative and business factors, many of which are outside of the Company's control. If the Company does not generate sufficient cash flows from operations to satisfy its debt obligations, the Company may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. The Company cannot assure that any refinancing would be possible or that any assets could be sold on acceptable terms or otherwise. The Company's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its obligations on commercially reasonable terms, would have an adverse effect on the Company's business, financial condition and results of operations. In addition, any refinancing of the Company's debt could be at higher interest rates and may require the Company to comply with more onerous covenants, which could further restrict its business operations.

***The Company's substantial debt could adversely affect its financial condition and prevent it from fulfilling its obligations under its ABL or Senior Subordinated Notes.***

The Company has a significant amount of indebtedness. As of December 31, 2010, the Company had outstanding debt of approximately \$221 million, which represented 55% of its total capitalization. Of such total debt, approximately \$92.6 million, or all of the Company's outstanding senior debt, was secured.

The Company's substantial indebtedness could adversely affect its financial condition and make it more difficult for the Company to satisfy its obligations with respect to the Senior Subordinated Notes, as well as its obligations under its ABL. The Company's substantial indebtedness could also increase its vulnerability to adverse general economic and industry conditions; require the Company to dedicate a substantial portion of its cash flows from operations to payments on its indebtedness, thereby

reducing the availability of the Company's cash flows to fund working capital, capital expenditures, research and development efforts and other general corporate purposes; limit the Company's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates; place the Company at a competitive disadvantage compared to its competitors that have less debt; and limit the Company's ability to borrow additional funds on terms that are satisfactory to it or at all.

***Fluctuations in raw material costs or the unavailability of raw materials may adversely affect the Company's profitability.***

Intertape Polymer Group has historically been able to pass on significant raw material cost increases through price increases to its customers. Nevertheless, the Company's results of operations for 2010 and certain individual quarters in prior years can and have been negatively impacted by raw material cost increases and decreases. These fluctuations adversely affected the Company's profitability. As a result of raw material cost fluctuations, the Company has to either hold prices firm which results in a reduced market share or decrease prices which compresses the Company's gross margins. The Company's profitability in the future may be adversely affected due to continuing fluctuations in raw material prices. Additionally, the Company relies on its suppliers for deliveries of raw materials. If any of its suppliers were unable to deliver raw materials to the Company for an extended period of time, there is no assurance that the Company's raw material requirements would be met by other suppliers on acceptable terms, or at all, which could have a material adverse effect on the Company's results of operations.

***Despite the Company's level of indebtedness, it will be able to incur substantially more debt. Incurring such debt could further exacerbate the risks to the Company's financial condition described above.***

The Company will be able to incur significant additional indebtedness in the future. Although the Indenture governing the Senior Subordinated Notes and the loan and security agreement governing the ABL each contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and the indebtedness incurred in compliance with these restrictions could be substantial. The restrictions also do not prevent the Company from incurring obligations that do not constitute indebtedness. To the extent new debt is added to the Company's currently anticipated debt levels, the substantial leverage risks described above would increase.

***The Company's Senior Subordinated Notes and ABL contain covenants that limit its flexibility and prevents the Company from taking certain actions.***

The Indenture governing the Company's Senior Subordinated Notes and the loan and security agreement governing the Company's ABL include a number of significant restrictive covenants. These covenants could adversely limit the

Company's ability to plan for or react to market conditions, meet its capital needs and execute its business strategy. These covenants, among other things, limit the Company's ability and the ability of its subsidiaries to incur additional debt; pay dividends and make other restricted payments; create or permit certain liens; issue or sell capital stock of restricted subsidiaries; use the proceeds from sales of assets; make certain investments; create or permit restrictions on the ability of the guarantors to pay dividends or to make other distributions to the Company; enter into certain types of transactions with affiliates; engage in unrelated businesses; enter into sale and leaseback transactions; and consolidate or merge or sell the Company's assets substantially as an entirety.

The Company's ABL includes other and more restrictive covenants, some of which can restrict the Company's ability to prepay its other debt.

***The Company's litigation with Inspired Technologies, Inc. ( ITI ) could result in a significant verdict against the Company.***

In December 2010, the United States District Court for the Middle District of Florida granted the Company's post trial motion and reduced the amount of the initial jury award from \$13,150,000 to \$3,000,000 plus interest, costs and attorneys' fees for a total of \$3,382,775. Instead of accepting the remitted judgment offered by the Court, ITI requested a new trial. The second jury award entered a verdict of \$700,000. ITI is now seeking an award of attorneys' fees, costs, and interest. In its post-trial motions, ITI is also seeking reinstatement of the original jury award or the remitted judgment amount or, in the alternative, a new trial. It is also possible that the reduced jury award may be set aside on appeal. The Company may incur a loss as a result of the litigation; however, the amount of the contingent loss cannot be reasonably estimated at this time. A significant judgment against the Company would adversely affect the Company's business, financial condition and/or results of operations. (For a full description of the pending ITI litigation, please see the Litigation section under Consolidated Statements and Other Financial Information .)

***The Company may incur higher and/or additional charges and costs than anticipated in connection with the closing of its Brantford, Ontario manufacturing facility.***

The Company has decided to close its Brantford, Ontario manufacturing facility due to the financial impact of the ongoing strike of the unionized employees at the facility. The non-cash charges may be higher than anticipated by the Company, there may be additional non-cash charges not foreseen, and the estimated amount of projected cash costs associated with the shutdown may be too low. Further, the anticipated positive impact the shutdown will have on the Company's overall financial position may not be as great as forecasted.

***A downgrade of the Company's credit ratings would have a negative impact on the Company's ability to obtain credit and on the trading price of its common shares.***

The Company's Senior Subordinated Notes are currently rated Caa1 by Moody Investor Services, Inc. and CCC- by Standard & Poor's Financial Services, LLC. These ratings are considered below investment grade. In the event the Company's credit ratings are downgraded, it would adversely affect the Company's cost of borrowing, access to capital markets and trading price of its common shares.

***The failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could cause the Company's stock price to decline.***

Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission, as well as applicable Canadian securities laws require annual management assessments of the effectiveness of the Company's internal control over financial reporting and a report by the Company's independent registered public accounting firm attesting to and reporting on these assessments. If the Company fails to maintain effective internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, the Company may not be able to conclude that it has effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission or applicable Canadian securities laws. For the fiscal year ended December 31, 2010 the Chief Executive Officer and Chief Financial Officer concluded that the Company's internal control over financial reporting was effective as of December 31, 2010. If the Company cannot in the future favorably assess, or the Company's independent registered public accounting firm is unable to provide an unqualified attestation report on the Company's assessment of, the effectiveness of its internal control over financial reporting, investors may lose confidence in the reliability of the Company's financial reports, which could cause the Company's stock price to decline.

***The Company's pension and post-retirement benefit plans are unfunded which could require Company contributions.***

The Company's pension and post-retirement benefit plans currently have an unfunded deficit of \$22.8 million as of December 31, 2010 as compared to \$21.0 million at the end of 2009. For 2010 and 2009, the Company contributed \$4.7 million and \$3.4 million, respectively, to its funded pension plans and to beneficiaries for its unfunded other benefit plans. The Company may need to divert certain of its resources in the future in order to resolve this funding deficit. In addition, the Company cannot predict whether a change in factors such as pension asset performance or interest rates, will require the Company to make a contribution in excess of its current expectations. Further, the Company may not have the funds necessary to meet future minimum pension funding requirements or be able to meet its pension benefit plan funding obligation through cash flows from operations.

***The Company's ability to achieve its growth objectives depends in part on the timing and market acceptance of its new products.***

Intertape Polymer Group's business plan involves the introduction of new products, which are both developed internally and obtained through acquisitions. The Company's ability to introduce these products successfully depends on the demand for the products, as well as their price and quality. In the event the market does not accept these products or competitors introduce similar products, the Company's ability to expand its markets and generate organic growth could be negatively impacted which could have an adverse affect on its operating results.

***The Company's competition and customer preferences could impact the Company's profitability.***

The markets for Intertape Polymer Group's products are highly competitive. Competition in its markets is primarily based upon the quality, breadth and performance characteristics of its products, customer service and price. The Company's ability to compete successfully depends upon a variety of factors, including its ability to maintain high plant efficiencies and operating rates and low manufacturing costs, as well as its access to quality, low-cost raw materials.

Some of the Company's competitors may, at times, have lower raw material, energy and labor costs and less restrictive environmental and governmental regulations to comply with than the Company does. Other competitors may be larger in size or scope than the Company, which may allow them to achieve greater economies of scale on a global basis or allow them to better withstand periods of declining prices and adverse operating conditions.

Demand for the Company's products and, in turn, its revenue and profit margins, are affected by customer preferences and changes in customer ordering patterns which occur as a result of changes in inventory levels and timing of purchases which may be triggered by price changes and incentive programs.

***The Company's customer contracts contain termination provisions that could decrease our future revenues and earnings.***

Most of the Company's customer contracts can be terminated by the customer on short notice without penalty. The Company's customers are, therefore, not contractually obligated to continue to do business with us in the future. This creates uncertainty with respect to the revenues and earnings the Company may recognize with respect to its customer contracts.

***Intertape Polymer Group faces risks related to its international operations.***

The Company has customers and operations located outside the United States and Canada. In 2010, sales to customers located outside the United States and Canada represented approximately 10% of its sales. The Company's international operations present it with a number of risks and challenges, including the effective marketing of the Company's products in other countries; tariffs and other trade barriers; and different regulatory schemes and political environments applicable to its operations in these areas, such as environmental and health and safety compliance.

In addition, the Company's financial statements are reported in U.S. dollars while a portion of its sales is made in other currencies, primarily the Canadian dollar and the Euro. A portion of the Company's debt is also denominated in currencies other than the U.S. dollar. As a result, fluctuations in exchange rates between the U.S. dollar and foreign currencies can have a negative impact on the Company's reported operating results and financial condition. Moreover, in some cases, the currency of the Company's sales does not match the currency in which it incurs costs, which can negatively affect its profitability. Fluctuations in exchange rates can also affect the relative competitive position of a particular facility where the facility faces competition from non-local producers, as well as the Company's ability to successfully market its products in export markets.

***The Company's operations are subject to comprehensive environmental regulation and involve expenditures which may be material in relation to its operating cash flow.***

The Company's operations are subject to extensive environmental regulation in each of the countries in which it maintains facilities. For example, United States (Federal, state and local) and Canadian (Federal, provincial and local) environmental laws applicable to the Company include statutes and regulations intended to impose certain obligations with respect to site contamination and to allocate the cost of investigating, monitoring and remedying soil and groundwater contamination among specifically identified parties, as well as to prevent future soil and groundwater contamination; imposing national ambient standards and, in some cases, emission standards, for air pollutants which present a risk to public health, welfare or the natural environment; governing the handling, management, treatment, storage and disposal of hazardous wastes and substances; and regulating the discharge of pollutants into waterways.

The Company's use of hazardous substances in its manufacturing processes and the generation of hazardous wastes not only by the Company, but by prior occupants of its facilities suggest that hazardous substances may be present at or near certain of the Company's facilities or may come to be located there in the future. Consequently, the Company is required to monitor closely its compliance under all the various environmental laws and regulations applicable to it. In addition, the Company arranges for the off-site disposal of hazardous substances generated in the ordinary course of its business.

The Company obtains Phase I or similar environmental site assessments, and Phase II environmental site assessments, if necessary, for most of the manufacturing facilities it owns or leases at the time it either acquires or leases such facilities. These assessments typically include general inspections and may involve soil sampling and/or ground water analysis. The assessments have not revealed any environmental liability that, based on current information, the Company believes will have a material adverse effect on it. Nevertheless, these assessments may not reveal all potential environmental liabilities and current assessments are not available for all facilities. Consequently, there may be material environmental liabilities that the Company is not aware of. In addition, ongoing clean up and containment operations may not be adequate for purposes of future laws and regulations. The conditions of the Company's properties could also be affected in the future by neighboring operations or the conditions of the land in the vicinity of its properties. These developments and others, such as increasingly stringent environmental laws and regulations, increasingly strict enforcement of environmental laws and regulations, or claims for damage to property or injury to persons resulting from the environmental, health or safety impact of its operations, may cause the Company to incur significant costs and liabilities that could have a material adverse effect on it.

Except as described in Item 4B(8) below, the Company believes that all of its facilities are in material compliance with applicable environmental laws and regulations and that it has obtained, and is in material compliance with, all material permits required under environmental laws and regulations. Although certain of the Company's facilities emit toluene and other pollutants into the air, these emissions are within current permitted limitations. The Company believes that these emissions from its U.S. facilities will meet the applicable future federal Maximum Available Control Technology ("MACT") requirements, although additional testing or modifications at the facilities may be required. The Company believes that the ultimate resolution of these matters should not have a material adverse effect on its financial condition or results of operations.

The Company's facilities are required to maintain numerous environmental permits and governmental approvals for its operations. Some of the environmental permits and governmental approvals that have been issued to the Company or to its facilities contain conditions and restrictions, including restrictions or limits on emissions and discharges of pollutants and contaminants, or may have limited terms. If the Company fails to satisfy these conditions or to comply with these restrictions, it may become subject to enforcement actions and the operation of the relevant facilities could be adversely affected. The Company may also be subject to fines, penalties or additional costs. The Company may not be able to renew, maintain or obtain all environmental permits and governmental approvals required for the continued operation or further development of the facilities, as a result of which the operation of the facilities may be limited or suspended.

***The Company may become involved in litigation relating to its intellectual property rights, which could have an adverse impact on its business.***



Intertape Polymer Group relies on patent protection, as well as a combination of copyright, trade secret and trademark laws, nondisclosure and confidentiality agreements and other contractual restrictions to protect its proprietary technology. Litigation may be necessary to enforce these rights, which could result in substantial costs to the Company and a substantial diversion of management attention. If the Company does not adequately protect its intellectual property, its competitors or other parties could use the intellectual property that the Company has developed to enhance their products or make products similar to the Company's and compete more efficiently with it, which could result in a decrease in the Company's market share.

While the Company has attempted to ensure that its products and the operations of its business do not infringe other parties' patents and proprietary rights, its competitors or other parties may assert that the Company's products and operations may be covered by patents held by them. In addition, because patent applications can take many years to issue, there may be applications now pending of which the Company is unaware, which may later result in issued patents which the Company's products may infringe. If any of the Company's products infringe a valid patent, it could be prevented from selling them unless the Company can obtain a license or redesign the products to avoid infringement. A license may not always be available or may require the Company to pay substantial royalties. The Company may not be successful in any attempt to redesign any of its products to avoid any infringement. Infringement or other intellectual property claims, regardless of merit or ultimate outcome, can be expensive and time-consuming and can divert management's attention from the Company's core business.

***The Company may become involved in labor disputes or employees could form or join unions increasing the Company's costs to do business.***

Some of Intertape Polymer Group's employees are subject to collective bargaining agreements. Other employees are not part of a union and there are no assurances that such employees will not form or join a union. Any attempt by employees to

form or join a union could result in increased labor costs and adversely affect the Company's business, its financial condition and/or results of operations.

Except for the current strike at the Company's Brantford, Ontario plant, the Company has never experienced any work stoppages due to employee related disputes. Management believes that it has a good relationship with its employees. There can be no assurance that work stoppages, or other labor disturbances will not occur in the future. Such occurrences could adversely affect Intertape Polymer Group's business, financial condition and/or results of operations.

***The Company may become involved in litigation which could have an adverse impact on its business.***

Intertape Polymer Group, like other manufacturers and sellers, is subject to potential liabilities connected with its business operations, including potential liabilities and expenses associated with product defects, performance, reliability or delivery delays. Intertape Polymer Group is threatened from time to time with, or is named as a defendant in, legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against Intertape Polymer Group, or the imposition of a significant fine or penalty, as a result of a finding that the Company failed to comply with laws or regulations, or being named as a defendant on multiple claims could adversely affect the Company's business, financial condition and/or results of operations.

***Uninsured and underinsured losses and rising insurance costs could adversely affect the Company's business.***

Intertape Polymer Group maintains property, general liability and business interruption insurance and directors and officers liability insurance on such terms as it deems appropriate. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay for the full current market value or current replacement cost of the Company's lost investment. Not all risks are covered by insurance.

Intertape Polymer Group's cost of maintaining property general liability and business interruption insurance and director and officer liability insurance is significant. The Company could experience higher insurance premiums as a result of adverse claims experience or because of general increases in premiums by insurance carriers for reasons unrelated to its own claims experience. Generally, the Company's insurance policies must be renewed annually. Intertape Polymer Group's ability to continue to obtain insurance at affordable premiums also depends upon its ability to continue to operate with an acceptable claims record. A significant increase in the number of claims against the Company, the assertion of one or more claims in excess of its policy limits or the inability to obtain adequate insurance coverage at acceptable rates, or at all, could adversely affect the Company's business, financial condition

and/or results of operations.

***Product liability could adversely affect the Company's business.***

Difficulties in product design, performance and reliability could result in lost sales, delays in customer acceptance of Intertape Polymer Group's products and lawsuits and would be detrimental to the Company's market reputation. Intertape Polymer Group's products and the products supplied by third parties, on behalf of the Company, are not error free. Undetected errors or performance problems may be discovered in the future. The Company may not be able to successfully complete the development of planned or future products in a timely manner or to adequately address product defects, which could harm the Company's business and prospects. In addition, product defects may expose Intertape Polymer Group to product liability claims, for which it may not have sufficient product liability insurance. Difficulties in product design, performance and reliability or product liability claims could adversely affect Intertape Polymer Group's business, financial condition and/or results of operations.

***Acquisitions have been a substantial part of the Company's growth strategy, which could expose it to significant business risks.***

An important aspect of Intertape Polymer Group's business strategy was to make strategic acquisitions that would complement its existing products, expand its customer base and markets, improve distribution efficiencies and enhance its technological capabilities. Financial risks from these acquisitions include the use of the Company's cash resources and incurring additional debt and liabilities. Further, there are possible operational risks including difficulties in assimilating and integrating the operations, products, technology, information systems and personnel of acquired companies; the loss of key personnel of acquired entities; the entry into markets in which the Company has no or limited prior experience; and difficulties honoring

commitments made to customers of the acquired companies prior to the acquisition. The failure to adequately address these risks could adversely affect the Company's business.

Although the Company performs due diligence investigations of the businesses or assets that it acquires, and anticipates continuing to do so for future acquisitions, there may be liabilities related to the acquired business or assets that the Company fails to, or is unable to, uncover during its due diligence investigation and for which the Company, as a successor owner, may be responsible. When feasible, the Company seeks to minimize the impact of these types of potential liabilities by obtaining indemnities and warranties from the seller, which may in some instances be supported by deferring payment of a portion of the purchase price. However, these indemnities and warranties, if obtained, may not fully cover the liabilities because of their limited scope, amount or duration, the financial resources of the indemnitor or warrantor or other reasons.

***Because Intertape Polymer Group is a Canadian company, it may be difficult to enforce rights under U.S. bankruptcy laws.***

Intertape Polymer Group and certain of its subsidiaries are incorporated under the laws of Canada and a substantial amount of its assets are located outside of the United States. Under bankruptcy laws in the United States, courts typically assert jurisdiction over a debtor's property, wherever located, including property situated in other countries. However, courts outside of the United States may not recognize the United States bankruptcy court's jurisdiction over property located outside of the territorial limits of the United States. Accordingly, difficulties may arise in administering a United States bankruptcy case involving a Canadian debtor with property located outside of the United States, and any orders or judgments of a bankruptcy court in the United States may not be enforceable outside the territorial limits of the United States.

***It may be difficult for investors to enforce civil liabilities against Intertape Polymer Group under U.S. federal and state securities laws.***

Intertape Polymer Group and certain of its subsidiaries are incorporated under the laws of Canada. Certain of their directors and executive officers are residents of Canada and a portion of their assets are located outside of the United States. In addition, certain subsidiaries are located in other foreign jurisdictions. As a result, it may be difficult or impossible for U.S. investors to effect service of process within the United States upon Intertape Polymer Group, its Canadian subsidiaries, or its other foreign subsidiaries, or those directors and officers or to realize against them upon judgments of courts of the United States predicated upon the civil liability provisions of U.S. federal securities laws or securities or blue sky laws of any state within the United States. The Company believes that a judgment of a U.S. court predicated solely upon the civil liability provisions of the Securities Act of 1933, as amended and/or the Exchange Act of 1934, as amended ( Exchange Act ) would likely be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such

purposes. The Company cannot assure that this will be the case. There is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

***The Company's exemptions under the Securities Exchange Act of 1934, as amended, as a foreign private issuer limits the protections and information afforded investors.***

Intertape Polymer Group is a foreign private issuer within the meaning of the rules promulgated under the Exchange Act. As such, it is exempt from certain provisions applicable to United States companies with securities registered under the Exchange Act, including: the rules under the Exchange Act requiring the filing with the Securities and Exchange Commission of quarterly reports on Form 10-Q or current reports on Form 8-K; the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; and the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any "short-swing" trading transaction (i.e., a purchase and sale, or sale and purchase, of the issuer's equity securities within a period of less than six months). Because of these exemptions, purchasers of Intertape Polymer Group's securities are not afforded the same protections or information generally available to investors in public companies organized in the United States.

Prior to December 31, 2000, the Company filed its annual reports on Form 20-F. Commencing with the year ended December 31, 2000 through December 31, 2007, and again for the year ended December 31, 2009, the Company filed its annual reports on Form 40-F. For the year ended December 31, 2008, and again this year, Intertape Polymer Group will file its annual report on Form 20-F. Intertape Polymer Group reports on Form 6-K with the United States Securities and Exchange Commission and publicly releases quarterly financial reports.

**Item 4.**

**Information on the Company**

**A.**

**HISTORY AND DEVELOPMENT OF THE COMPANY**

The business of Intertape was established when Intertape Systems Inc., a predecessor of the Company, established a pressure-sensitive tape manufacturing facility in Montreal. Intertape Polymer Group was incorporated under the *Canada Business Corporations Act* on December 22, 1989 under the name 171695 Canada Inc. On October 8, 1991, the Company filed a Certificate of Amendment changing its name to Intertape Polymer Group Inc. A Certificate of Amalgamation was filed by the Company on August 31, 1993, at which time the Company was amalgamated with EBAC Holdings Inc. The Shareholders, at the Company's June 11, 2003 annual and special meeting, voted on the replacement of the Company's By-Law No. 1 with a new General By-Law 2003-1. The intent of the replacement by-law was to conform the Company's general by-laws with amendments that were made to the *Canada Business Corporations Act* since the adoption of the general by-laws and to simplify certain aspects of the governance of the Company. On August 6, 2006, the Company filed a Certificate of Amendment to permit the Board of Directors of the Company to appoint one or more additional Directors to hold office for a term expiring not later than the close of the next annual meeting of the Company's Shareholders, so long as the total number of Directors so appointed does not exceed one-third of the number of Directors elected at the previous annual meeting of the Shareholders of the Company.

Intertape Polymer Group's corporate headquarters is located at 9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada H4M 2X5 and the address of its registered office is 1250 René-Lévesque Blvd. West, Suite 2500, Montreal, Quebec, Canada H3B 4Y1, c/o Heenan Blaikie LLP.

During the third quarter of 2010, the Company realigned its organizational, operational and related internal reporting structures combining its Tapes and Films and Engineered Coated Products operations which were previously considered as two separate operating segments, into one segment. The change to a single operating segment was as a result of various factors including changes in the Company's management structure, the implementation of a strategic initiative plan and the objective to be able to make more informed decisions with respect to the Company as a whole.

The Company operates in various geographic locations and develops, manufactures and sells a variety of specialized polyolefin films, paper and film pressure sensitive tapes and complimentary packaging systems to a diverse customer base. Most of the Company's products are made from similar processes. A vast majority of the Company's products, while brought to market through various distribution channels, generally have similar economic characteristics. As a

result of the Company's structural, operational, management and reporting realignments, decisions about resources to be allocated are determined for the Company as a whole.

The Company's total capital expenditures in connection with property, plant and equipment were \$8.6 million, \$13.1 million, and \$21.0 million for the years 2010, 2009 and 2008, respectively. The majority of the expenditures were to update existing manufacturing equipment and to obtain new equipment.

There has not been any indication of any public takeover offers by third parties in respect of the Company's shares or by the Company in respect of other companies' shares during the last and current fiscal year.

**B.**

**BUSINESS OVERVIEW**

Intertape Polymer Group is a leader in the specialty packaging industry. Management believes the Company is the second largest manufacturer of tape products in North America and is recognized for its development, manufacture and sale of adhesive tapes, specialty tapes, plastic packaging films, and engineered coated products for use in industrial and retail applications. The Company's products include carton sealing tapes, including Intertape® pressure-sensitive and water-activated tapes; industrial and performance specialty tapes, including masking, duct, electrical and reinforced filament tapes; Exlfilm® shrink film; Stretchflex® stretch wrap, engineered coated fabric products, and flexible intermediate bulk containers.

The Company has approximately 2,000 employees with operations in 17 locations, including 12 manufacturing facilities in North America and one in Europe.

Intertape Polymer Group has assembled a broad range of products by leveraging its manufacturing technologies, its research and development capabilities, global sourcing expertise and its strategic acquisition program. Over the years, the Company has made a number of strategic acquisitions in order to offer a broader range of products to better serve its markets.

The Company's extensive product line permits Intertape Polymer Group to offer tailored solutions to a wide range of end-markets including food and beverage, consumer, industrial, building and construction, oil and gas, water supply, automotive, medical, agriculture, aerospace and military applications.

### Overview of Periods

#### 2008

As a result of the downturn in the economy during 2008, the Company made several strategic moves so it would be positioned to effectively deal with the economic uncertainty. In the short term, the Company was proactive and implemented several cost savings measures, including reductions in workforce, reductions in pay for salaried employees, shortened work weeks for hourly employees, streamlining plant operations, and eliminating third-party service providers. The Company also developed a strategic long term plan which it believed would permit the Company to withstand the downturn of the economy.

As a first step, with a view towards reducing financial expenses, on March 27, 2008 the Company successfully refinanced its existing Senior Secured Credit Facility ( Facility ) with a \$200.0 million Asset-Based Loan ( ABL ) entered into with a syndicate of financial institutions. The amount of borrowings available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is determined by calculating a percentage of eligible trade accounts receivable, inventories, machinery and equipment. At closing, after repaying the remaining balance of the Facility, the Company had cash and undrawn revolver of approximately \$35.4 million. The ABL is priced at *libor* plus a loan margin determined from a pricing grid. The loan margin declines as unused availability increases. The loan margin ranges from 1.50% to 2.25%, however, through September 2008, the applicable loan margin was fixed at 1.75%. Unlike the Facility, the ABL contains only one financial covenant, a fixed charge ratio of 1.0 to 1.0, which becomes effective only when unused availability drops below \$25.0 million. Under the refinancing agreement, the Company's unencumbered real estate is subject to a negative pledge in favour of the ABL lenders; however, the Company retains the ability to secure financing on all or a portion of its owned real estate and have the negative pledge of the ABL lenders subordinated to up to \$35.0 million of real estate mortgage financing. The Company also settled two interest rate swaps that the Company entered into in June and July 2005 hedging interest rates for the Facility. Financial expenses for 2008 were \$19.8 million, a decline of 42% from 2007.

On September 29, 2008, the Company obtained a \$1.8 million mortgage loan on its real estate located in Bradenton, Florida. The mortgage is for a period of 20 years bearing interest at a rate of 7.96%, adjusting every three years to a 3.55% spread over the 10-year Interest Rate Swap published in the Daily Release of the Federal Reserve.



In September and October, 2008, to hedge interest rates for the ABL, the Company entered into interest rate swap agreements for a notional amount of \$40 million maturing in September 2011, and \$30 million which matured in October 2009. Under the terms of these interest rate swap agreements, the Company receives (or received) on a monthly basis, a variable interest rate and pays (or paid) a fixed interest rate of 3.35% and 2.89%, respectively, plus the applicable premium on its ABL.

Prior to 2008, the Company did not use derivative financial instruments to reduce its exposure to foreign currency risks as historically these risks were not significant. In accordance with the Company's foreign exchange rate risk policy, in November 2008, the Company entered into a series of thirty-six monthly forward foreign exchange rates contracts to purchase an aggregate CDN\$40.0 million which began in February 2009 at fixed exchange rates ranging from CDN\$1.1826 to CDN\$1.12808 to the U.S. Dollar.

In August, 2008, Intertape Polymer Group announced that the Toronto Stock Exchange ( TSX ) had approved the Company's normal course issuer bid pursuant to which the Company was entitled to repurchase for cancellation up to 2,947,817 common shares over the twelve-month period commencing August 28, 2008 and ending on August 27, 2009. The Company repurchased 5,298 common shares pursuant to the normal course issuer bid, which were canceled.

During the third quarter of 2008, the Company's wholly-owned Portuguese subsidiary, Fibope Portuguesa-Filmes Biorientados S.A. ( Fibope ), entered into a long-term loan bearing interest at a rate of Euribor plus a premium of 125 basis points, increased to 175 basis points on December 31, 2010. Payments of interest only are due for the first two years followed by eight semi-annual principal payments commencing on January 2010 and November 2010, respectively. As of December 31, 2008, \$7.7 million had been borrowed. As of December 31, 2010, approximately \$6.0 million remained outstanding.

2009

During 2009, the Company implemented its long term strategic plan in an effort to mitigate the impact of the global economic downturn on the Company. The Company's strategy was to deal with the situation proactively by continuing and expanding its several cost reduction measures, opening new market channels, the development and sales of new products, and productivity improvements. In addition, a key element of the Company's strategy was and continues to be cash management.

The challenges to the industry persisted throughout 2009. Raw material prices fluctuated with propylene-related raw material costs rising significantly and resin based raw material costs dropping, both of which resulted in intense pricing pressure, no pricing power and significantly impacted selling prices. Also, the North American residential housing market remained soft throughout the year which caused the supply chain supporting this market to carry excess inventories significantly reducing product demand.

Although the struggling economy affected sales, the initiatives taken by the Company throughout 2009 enabled the Company to somewhat soften its impact. The Company's new products attracted attention in the market. An increased focus on cash management was a factor in increased cash flows. Also, as a part of the Company's objectives to lower costs, enhance customer order fulfillment and optimize inventory investment, during the fourth quarter, the Company made the decision to consolidate the operations of its manufacturing facility located in Hawkesbury, Ontario, into the Company's manufacturing facility located in Truro, Nova Scotia, and to sell the buildings. The buildings were not sold as of December 31, 2010. Subsequent to December 31, 2010, a sales contract was entered into to sell one of the buildings and the transaction is expected to be completed during the second quarter of 2011.

In January 2009, the Company received a notice from the New York Stock Exchange (the Exchange) that it was not in compliance with the Exchange's listing standards because the 30-trading day average closing price of the Company's common shares dropped below \$1.00, which the Company believes was as a result of several factors, most of which were related to the downturn in the economy. The Company had six months to cure the deficiency, however due to the then current economic conditions, the Exchange temporarily suspended its \$1.00 minimum price requirement. The Company notified the Exchange that it intended to cure the deficiency and, in fact, the price of the Company's common stock rose above \$1.00 and continued to trade above \$1.00 per share until the Company's common shares were voluntarily delisted from the Exchange. The Company, however, concluded that the overall trading volume of the Company's common shares was not sufficient to justify listing on two exchanges so the Company delisted its stock from the Exchange effective December 3, 2009. The delisting from the Exchange did not constitute a default under the Company's ABL or Indenture governing the Company's Senior Subordinated Notes and did not affect the Company's operations or change its reporting requirements with the U.S. Securities and Exchange Commission. The Company's shares of common stock continue to be traded on the TSX. The Company continues to be subject to the federal laws of Canada, the jurisdiction in which the Company is incorporated, as well as Canadian and U.S. securities laws and corporate governance rules applicable to Canadian publicly listed companies, including the rules of the TSX.

On November 12, 2009, the Company named Bernard J. Pitz as its Chief Financial Officer. Mr. Pitz brought with him almost twenty years of experience serving as a Chief Financial Officer and in other executive capacities. He holds a B.S. and M.B.A. from Northern Illinois University and University of Chicago, respectively.

During the fourth quarter of 2009, the Company repurchased certain of its Senior Subordinated Notes with a face value of \$6.3 million resulting in the reduction of the total face value of outstanding Senior Subordinated Notes governed by the Company's Indenture from \$125.0 million to \$118.7 million. The repurchase also reduced the Company's annual interest expense by \$0.5 million.

## 2010

During 2010, the Company remained in prudent management mode focusing on cost and debt reductions while making productivity improvements, introducing new products, and opening new market channels.

On June 8, 2010, Gregory A. Yull was named President and Chief Executive Officer of the Company, and was appointed to the Board on August 2, 2010. Mr. Yull has been with the Company many years and brings with him extensive industry knowledge, hands-on experience and a full understanding of the Company's objectives.

In May 2010, the Company announced that the Toronto Stock Exchange had approved the Company's normal course issuer bid pursuant to which the Company was entitled to repurchase for cancellation up to 2,947,552 common shares over the twelve-month period commencing May 26, 2010 and ending on May 25, 2011. The Company has not yet repurchased any common shares pursuant to the normal course issuer bid.

In October 2010 the Company obtained a \$3 million mortgage loan on its owned real estate located in Danville, Virginia. The mortgage is for a term of 32 months bearing interest at an annual rate of 10%. The mortgage requires monthly payments of principal and interest in the amount of \$63,741 with a lump sum payment of all remaining unpaid principal and accrued interest due on July 1, 2013.

The Company has had a sales presence in Europe for many years with supply and services coming from the United States. In December 2010, the Company established a local facility near Flensburg, Germany, to support the Company's increased focus in Europe with expansion into several different market segments through an increased sales force. The new facility will allow the Company to service its customers with pressure sensitive tapes including the following Intertape® branded products: masking tapes, flatback tapes, aluminum foil tapes, double coated tapes, cloth duct tapes as well as several electrical and electronic grade tapes. In addition, Central® Brands of water activated tapes will be stocked in the distribution center. This new facility will help service the Company's European customers with faster deliveries and smaller minimum order quantities and increase the Company's brand recognition in Europe.

During the last quarter of 2010, the Company made the decision to terminate operations at its Brantford, Ontario manufacturing facility. The facility is scheduled to be closed by June of 2011. This is as a result of the economic consequences of the continuing strike of its unionized workers. While some of the Brantford production will be transferred internally to other facilities, the Company has decided to discontinue certain non-core product lines.

In August 2008, the Company acquired the exclusive North American rights to a pending patent with respect to an automatic wrapping system. The system is designed to automate the process of wrapping packages of up to 60 feet in length. The technology targets industries such as wood products, which are traditionally manually wrapped. Along with the distribution rights, the Company acquired wrapping machines and existing customer contracts for a total consideration of CDN\$5.5 million. As part of acquiring the distribution rights, the Company also made future performance commitments, which required additional considerations or penalties if these commitments were not met. However, within the first two years of the purchase agreement, the automatic wrapping system had to achieve certain market acceptance parameters or the Company had the right to renegotiate the future performance commitments with the vendor and if such renegotiation was not concluded on terms satisfactory to the Company, then the future performance commitments would not be binding on the Company. Effective September 30, 2009 and due to the adverse economic conditions impacting the lumber wrap film market targeted under the Asset Purchase Agreement, the Company did not meet the performance criteria included in the first milestone of the Asset Purchase Agreement. The performance agreements have been amended, most recently on April 9, 2010.

(1)

## **Products, Markets and Distribution**

(a)

### **Tapes and Films**

The Company manufactures a variety of specialized polyolefin plastic and paper based products, as well as complementary packaging systems for use in industrial and retail applications. These products include Intertape® pressure sensitive and Central™ water-activated carton sealing tapes; industrial and performance specialty tapes including paper, duct, electrical and reinforced filament tapes; Exlfilm® shrink film and StretchFLEX® stretch wrap.

The Company's tape and film products are manufactured and sold under Intertape brands including Intertape®, Central™, Exlfilm® and StretchFLEX® to industrial distributors and retailers, and are manufactured for sale to third parties under private brands.

The Company introduced its new line of Intertape® brand Double-Coated Tapes in phases, the first of which began in June 2010 which introduced three double-coated tissue tapes and three double-coated polyester tapes. These high-performance technical products are used in a number of applications including corrugated splicing, gasket attachment, plastic housing and component assembly, nameplates, interior and exterior trim attachments and lens bonding. The Company's products are also convertible for a wide variety of applications requiring die cuts and custom parts.

In December 2010, the Company established a local distribution facility near Flensburg, Germany, to service its customers with pressure sensitive tapes including the following Intertape® branded products: masking tapes, filament tapes, flatback tapes, aluminum foil tapes, double coated tapes, cloth duct tapes, as well as several electrical and electronic grade tapes. In addition, Central® brands of water activated tapes will be stocked in the distribution center.

During August 2009, the Company reaffirmed its commitment to the alternative energy industry by announcing plans to continue the development of additional products for its current portfolio designed for wind, solar, geothermal and biofuel generation markets. The Company's stated goal continues to be single source dedicated to the ongoing development of performance tapes and films that are an integral part of powering the alternative energy market.

During September 2009, the Company announced the launch of a new product line of aluminum foil tapes to address the industrial, HVAC, aerospace, appliance, and transportation industries, the most significant markets in this category. This product line aligns with the strategic direction of the Company to leverage its expertise at the operations and customer level.

In September 2008, the Company reopened its Brighton, Colorado, facility which is the site of the Company's in-house solvent coater. The coater supports the low cost manufacture of products. The added capacity permitted growth of existing products and increased the Company's ability to rapidly and cost-effectively bring to market new products developed by the Company.

During the third quarter of 2008, the Company introduced the first product in its low environmental impact line ("LILI™"), a biodegradable film for its iCusion™ Air Pillow Protective Packaging product. The goal of LILI™ is to reduce the impact of Intertape Polymer Group and its customers on the environment.

For the years ending December 31, 2010, and December 31, 2009, tapes and films accounted for 83% of the Company's sales.

The Company's tape and film products consist of four main product groups: (A) Carton Sealing Tapes, (B) Industrial & Specialty Tapes, (C) Films and (D) Protective Packaging.

### *Carton Sealing Tapes*

Carton sealing tapes are sold primarily under the Intertape® and Central™ brands to industrial distributors and leading retailers, as well as to third parties under private brands. Management believes Intertape is the only company worldwide that produces carton sealing tapes using all four adhesive technologies: hot melt, acrylic, natural rubber and water-activated. The Company also sells the application equipment required for the dispensing of its carton sealing tapes.

#### Hot Melt Tape

Hot melt carton sealing tape is a polypropylene film coated with a synthetic rubber adhesive which offers a wide range of application flexibility and is typically used in carton sealing applications. Primary competitors are 3M Co., Shurtape Technologies LLC and Vibac Group.

#### Acrylic Tape

Acrylic carton sealing tape is a polypropylene film coated with an aqueous, pressure sensitive acrylic adhesive which is best suited for applications where performance is required within a broad range of temperatures from less than 40°F(4°C) to greater than 120°F(49°C). Primary competitors are 3M Co. and Sekisui TA Industries Inc.

#### Natural Rubber Tape

Natural rubber carton sealing tape is a polypropylene film coated with natural rubber adhesive and is unique among the carton sealing tapes because of its aggressive adhesion properties. This tape is ideally suited for conditions involving hot, dusty, humid or cold environments. Typical uses include moving and storage industry applications, as well as packaging and shipping. The primary competitors are Evotape SpA of Italy and Monta of Germany.

### Water Activated Tape

Water-activated carton sealing tape is typically manufactured using a filament reinforced kraft paper substrate and a starch based adhesive that is activated by water. Water-activated tape is used primarily in applications where a strong mechanical bond or tamper evidence is required. Typical end-use markets include fulfillment centers, mail order operations, furniture manufacturers and the apparel industry. Our primary competitor is Holland Manufacturing Co. Inc.

### ***Industrial & Specialty Tapes***

The Company produces eight primary industrial and specialty products: paper tape, flatback tape, duct tape, filament tape, stencil products, electrical tape, double-coated tape, and foil tape.

### Paper Tape

Paper tape is manufactured from a crepe paper substrate coated with a natural rubber or a synthetic rubber adhesive. Paper tape is used for a variety of performance and general purpose end-use applications. Product applications include paint masking (consumer, contractor, automotive, aerospace and marine), splicing, bundling/packaging, and general light duty applications. Primary competitors of the Company for this product are 3M Co., Shurtape Technologies, LLC, and tesa tape inc.

### Flatback Tape

Flatback tape is manufactured using a smooth kraft paper substrate coated with a natural rubber/SIS blended adhesive. Flatback tape is designed with low elongation and is widely used in applications such as splicing where the tape should not be distorted. Typical applications for flatback tape include printable identification tapes, label products and carton closure. Primary competitors of the Company for this product are Shurtape Technologies, LLC, and 3M Co.

### Duct Tape



Duct tape is manufactured from a polyethylene film that has been reinforced with scrim and coated with natural/synthetic rubber blend adhesive or speciality polymer adhesives. Duct tape is primarily used by general consumers for a wide range of applications. Duct tapes are also used in maintenance, repair and operations, in the heating, ventilation and air conditioning markets, construction and in the convention and entertainment industries.

Primary competitors of the Company for this product are Berry Plastics Corp., 3M Co. and Shurtape Technologies, LLC.

#### Filament Tape

Filament tape is a film or paper adhesive tape with fiberglass strands or polyester fibers embedded in the adhesive to provide high tensile strength. Primary applications for filament tape include appliance packing, bundling and unitizing, and agricultural applications. Primary competitors of the Company for this product are 3M Co., TaraTape, Inc. and Shurtape Technologies, LLC.

#### Stencil Products

Stencil products are manufactured from a calendared natural/synthetic rubber blended substrate with an acrylic adhesive. Stencil products are used in applications within the sign and monument manufacturing markets to protect a surface where sandblasting is required. The Company's primary competitor for this product is 3M Co.

#### Electrical and Electronic Tapes

Electrical and electronic tapes are manufactured from a number of different substrates, including paper, polyester, glass cloth and a variety of adhesive systems that include rubber, acrylic and silicone adhesives. Electrical and electronic tapes are Underwriters Laboratories (UL) approved and engineered to meet stringent application specifications. Primary competitors of the Company for this product are 3M Co., Permacel, and Saint-Gobain Performance Plastics.

### Double-Coated Tapes

Double-coated tapes are manufactured from a paper, foam, or film substrate and are coated on both sides with a variety of adhesive systems. Double-coated tapes also use a release liner made from paper or film that prevents the tape from sticking to itself. Double-coated tapes are typically used to join two dissimilar surfaces. The Company's double-coated tape products are used in the manufacture and regripping of golf clubs, with smaller sales to the carpet installation and the graphics industries. Primary competitors of the Company for this product are 3M Co., Avery Dennison Corp., tesa tape, inc., and Scapa Group plc.

### Foil Tapes

Foil tapes are manufactured using aluminum and a variety of adhesive systems. The shiny, UV resistant foil backing offers an enhanced appearance, excellent reflective and flame retardant properties, and remains flexible to resist cracking and lifting around irregular or curved surfaces. These tapes have application in various industries including aerospace, transportation, HVAC and industrial. Primary competitors of the Company for this product are 3M Co., Berry Plastics and Avery Dennison Corp.

### Films

The Company primarily produces two film product lines: Exlfilm® Shrink Film and StretchFLEX® Stretch Wrap.

### Exlfilm® Shrink Film

Exlfilm® shrink film is a specialty plastic film which shrinks under controlled heat to conform to a package's shape. The process permits the over-wrapping of a vast array of products of varying sizes and dimensions with a single packaging line. Exlfilm® is used to package paper products, consumer products such as bottled water, toys, games, sporting goods, hardware and housewares and a variety of other products. In 2009, the Company introduced Exlfilm™OXO, an oxo-biodegradable shrink film. Primary competitors of the Company for this product are Sealed Air Corp. and Bemis Co. Inc.

Intertape Polymer Group entered the European shrink film market through its investment in Fibope in April 1995. The Company initially purchased a 50% equity interest in Fibope, acquiring the remaining 50% equity stake in July 2003 to serve as a platform to penetrate European and African markets with other products of the Company. Fibope operates as an autonomous unit within Intertape Polymer Group.

Fibope produces a full range of shrink film products for sale in the European Community. Raw materials are primarily sourced within Europe, with multiple sources utilized to ensure stability of supply and a competitive price environment.

### *StretchFLEX® Stretch Wrap*

Stretch wrap is a single or multi-layer plastic film that can be stretched without application of heat. It is used industrially to wrap pallets of various products ensuring a solid load for shipping.

The Company uses state-of-the-art multi-layer technology for the manufacturing of its StretchFLEX® stretch wrap. This technology has allowed the Company to focus on the introduction of a high performance product while reducing manufacturing costs. The Company introduced Genesys™ in 2005, Fortress™ in 2007, and Prolite™ in 2008, which are light gauge high performance films created for wrapping irregularly shaped packages. In 2009, the Company introduced StretchFLEX®. Primary competitors of the Company for these products include Sigma Plastics Group, Berry Plastics Corp., Pliant Corp. and AEP Industries, Inc.

### ***Protective Packaging***

#### *Air Pillows*

Air pillows are manufactured from polyethylene film and are inflated at the point of use with an air pillow machine. The Company markets both traditional polyethylene, as well as oxo-biodegradable, air pillow products. Also, as mentioned above, the Company has added a biodegradable film to its iCusion™ air pillow protective packaging products. Air pillows are used as

packaging material for void fill and cushioning applications. Typical end-use markets for air pillows include fulfillment houses, contract packagers, and mail order pharmacies. Primary competitors of the Company for this product are Pregis Corp., Sealed Air Corp., Storopack, Inc., Free-Flow Packaging International Inc. and Polyair Inter Pack Inc.

(b)

### **Engineered Coated Products**

The Company is a North American leader in the development and manufacture of innovative industrial packaging, protective covering, barrier and liner products utilizing engineered coated polyolefin fabrics, paper and other laminated materials. Its products are sold primarily direct to end-users in a wide number of industries including lumber, construction, food, paper, and agriculture.

On October 5, 2005, Intertape Polymer Inc., a subsidiary of the Company, acquired all of the issued and outstanding shares of Flexia Corporation Ltd., being the body corporate that resulted from the amalgamation of Flexia Corporation and Fib-Pak Industries, Inc. The businesses of such companies are now operating under a wholly-owned Canadian corporation, ECP GP II Inc. ECP GP II Inc. is a producer of a wide range of engineered coated and laminated products with facilities currently located in Langley, British Columbia, and Brantford, Ontario, however, as discussed in the Business Overview section above, the Company is scheduled to close its Brantford facility by June 2011.

The Company's engineered coated products are categorized in six markets: (A) building and construction, (B) agro-environmental, (C) consumer packaging, (D) specialty fabrics, (E) industrial packaging, and (F) FIBCs. For the years ended December 31, 2010 and December 31, 2009, engineered coated products accounted for approximately 17% and 20%, respectively, of the Company's sales.

### ***Building and Construction Products***

The Company's building and construction product group includes protective wrap for kiln dried lumber and a variety of other membrane barrier products such as roof underlayment, house wrap, window and door flashing and insulation facing, which are used directly in residential and commercial construction. The Company also supplies packaging over-wrap sleeves for unitizing multiple bags of fiberglass insulation. Intertape's lumber wrap is used to package, unitize, protect and brand lumber during transportation and storage. The product is available in polyethylene or polypropylene coated fabrics and polyethylene films printed to customer specifications. Lumber wrap is produced at the Company's plants in Langley, British Columbia, and Truro, Nova Scotia. Primary competitors of the Company for

these products include Interwrap, Inc., Fabrene Inc., Mai Weave LLC and various producers from China and Korea.

### *Agro-Environmental Products*

The Company has developed a range of Agro-Environmental products, including membrane structure fabrics, bags for packaging processed cotton, fabrics designed for conversion into hay covers, grain covers, landfill covers, oil field membranes, and canal and pond liners. These fabrics are intended to provide protection during transit and storage and to line waterways and ponds to prevent loss of water and other liquids.

#### *NovaShield® Membrane Structure Fabrics*

NovaShield™ is a lightweight, wide-width, and durable polyolefin fabric used as the outer skin layer for flexible membrane structures. The introduction and continuous improvement of the NovaShield® fabric in the membrane structure market enabled membrane structure manufacturers to expand the use of this product beyond agricultural applications such as agriculture barns into larger structures for human occupancy such as amphitheaters, recreational facilities, trade show pavilions, aircraft hangers, and casinos. Developments in the product line include the patented stacked weave, and AmorKote™ coatings. The Company sells the NovaShield™ fabrics to membrane structure manufacturers who design, fabricate, and install the structures. The Company's main competitors are Fabrene Inc. and a number of polyvinyl chloride producers. The Company produces these products primarily at its plant in Truro, Nova Scotia.

#### *Nova-Seal® and Nova-Seal® Premium*

The Company began commercial production of Nova-Seal®II at its Truro, Nova Scotia facility in August, 2008. It is a roof underlay that is lighter and easier to install than standard #30 building felt and costs less. In November 2010, the Company

introduced new product names for its roof underlayment to insure consistency across products and will help customers distinguish among levels of product performance so they may specify and use the best solution for their particular application. Primary competitors in this market are Interwrap, W.R. Grace and a variety of #30 felt producers.

#### *AquaMaster® Geomembrane Fabrics*

The Company's AquaMaster® line of oil pit linens and geomembrane fabrics is used as irrigation canal liners, golf course and aquascape pond liners, and in aquaculture operations. Primary competitors of the Company for this product include Gundle/SLT Environmental, Inc., Poly-America LP and Firestone Building Products.

#### *Poultry Fabrics*

Woven coated polyolefin fabrics are used in the construction of poultry houses in the southern United States. Materials with high ultraviolet resistance are fabricated into side curtains that regulate ventilation and temperature in buildings. Other materials are used in ceiling construction. Primary competitors of the Company for this product are Fabrene Inc. and Mai Weave LLC. These products are primarily produced at the Company's plant in Truro, Nova Scotia.

#### *Consumer Packaging Products*

The Company's consumer packaging products include ream wrap, form, fill & seal packaging, deli wrap, and other coated and laminated products.

The Company competes with a number of local and multinational companies in this market. These products are primarily produced at the Company's plant in Langley, British Columbia.

#### *Specialty Fabrics*

The Company's specialty fabric product category is comprised of a variety of specialty materials custom designed for unique applications or specific customers. The Company's ability to provide polyolefin fabrics in a variety of weights, widths, colors and styles, and to slit, print and perform various other conversion steps, allows it to provide an array of coated products designed to meet the specific needs of its customers.

Products and applications of specialty fabrics include fabrics designed for conversion into pool covers, field covers, disaster relief materials, protective covers and construction sheeting, brattice cloth for mine ventilation, underground marking tapes, salt pile covers and industrial packaging.

Primary competitors of the Company for this product include Fabrene Inc., Mai Weave LLC and producers from China and Korea. The Company primarily produces these products at its Truro, Nova Scotia, plant.

### ***Industrial Packaging Products***

The Company's metal wrap is used to protect large coils of steel and aluminum during transit and storage. Primary competitors of the Company for this product include Interwrap Inc. and Covalence Specialty Materials Corp.

The Company also manufactures paper mill roll wrap for newsprint, specialty, and fine papers and custom designed fabrics for dunnage bags, which are used to fill space in a shipping container or to position the contents in a container. The production of the dunnage bag fabrics are primarily produced at the Company's Truro, Nova Scotia, facility while paper packaging products are produced at the Company's Langley, British Columbia, facility.

### ***FIBC Products***

FIBCs are flexible, semi-bulk containers generally designed to carry and discharge 1,500 to 3,500 pounds of dry flowable products such as chemicals, minerals and dry food ingredients. The market for FIBCs is highly fragmented. The Company has established proven supply lines with integrated bag manufacturers in India, China and Mexico.





(2)

### **Sales and Marketing**

As of December 31, 2010, the Company had 199 sales personnel, including manufacturer representatives. The Company participates in industry trade shows and uses trade advertising as part of its marketing efforts. The Company's customer base is diverse, with no single customer accounting for more than 4% of total sales in 2010. Sales of products from facilities located in the United States, Canada and Europe accounted for approximately 80%, 17% and 3% of total sales, respectively, in 2010; 81%, 17% and 3% in 2009, and 78%, 20% and 3% in 2008.

Distribution products go to market through a network of paper and packaging distributors throughout North America. Products distributed in this manner include carton sealing, masking, duct and reinforced tapes, Exlfilm® and Stretchflex®. In order to enhance sales of the Company's pressure-sensitive carton sealing tape, it also sells carton closing systems, including automatic and semi-automatic carton sealing equipment. The Company's Exlfilm® and Stretchflex® products are sold through an existing industrial distribution base primarily to manufacturers of packaged goods and printing and paper products which package their products internally. The industrial electrical tapes are sold to the electronics and electrical industries. The Company's engineered coated products are primarily sold directly to end-users. The Company offers a line of lumberwrap, FIBCs, and specialty fabrics manufactured from plastic resins. The Company's engineered coated products are marketed throughout North America.

(3)

### **Manufacturing and Quality Control**

Intertape Polymer Group's philosophy is to manufacture those products that are efficient for it from a cost and customer-service perspective. In cases in which the Company manufactures its own products, the Company seeks to do so utilizing the lowest cost raw material and add value to such products by vertical integration.

The Company maintains at each of its manufacturing facilities a quality control laboratory and a process control program on a 24-hour basis to monitor the quality of all packaging and engineered fabric products it manufactures. At the end of 2010, eleven of the Company's plants were certified under the ISO-9001:2000 quality standards program.

The majority of the Company's products are manufactured through a process which starts with a variety of polyolefin resins which are extruded into film for further processing. Wide width biaxially oriented polypropylene film is extruded in the Company's facilities and this film is then coated in high-speed equipment with in-house-produced or

purchased adhesives and cut to various widths and lengths for carton sealing tape. The same basic process applies for reinforced filament tape, which also uses polypropylene film and adhesive but has fiberglass strands inserted between the layers. Specific markets demand different adhesives and the Company compounds natural rubber, hot melt, and water-activated adhesives to respond to its customer demands. Masking tapes utilize the same process with paper as the coating substrate. Duct tapes utilize a similar process with polyethylene coated cloth.

The Company is the only North American manufacturer of all four technologies of carton sealing tape: hot melt, acrylic, water-activated and natural rubber. This broad family of carton sealing tapes is further enhanced by the Company's tape application equipment which is based in Florida.

The Company has utilized its technology for basic film extrusion, essential to the low cost production of pressure-sensitive tape products, to expand its product line. Extrusion of up to seven layers of various resins is done in five of the Company's plants. These high value added films service the shrink and stretch wrap markets.

Coated fabrics are manufactured in a multi-step operation comprised of slit filament extrusion, traditional scrim manufacturing, coating and laminating and finishing or converting processes. Conversion and value-added processes consist of slit tape extrusion, weaving extrusion coating, slitting, rewinding, printing and converting materials into finished products.

(4)

#### **Equipment and Raw Materials**

Intertape Polymer Group purchases mostly custom designed manufacturing equipment, including extruders, coaters, finishing equipment, looms, printers, bag manufacturing machines and injection molds, from manufacturers located in the United States and Western Europe, and participates in the design and upgrading of such equipment. The Company is not dependent on any one manufacturer for its equipment.

The major raw materials purchased for the Company's tape products are polypropylene resin, synthetic rubber, hydrocarbon resin, and paper (crepe and kraft). The resins and synthetic rubber are generated from petrochemicals which are by-products of crude oil and natural gas. Almost all of these products are sourced from North American manufacturers. The paper products are produced by North American paper manufacturers and are derived from the North American pulp and paper industry.

The major raw material used in our film products is polyethylene resin. Polyethylene is a derivative of crude oil and/or natural gas petrochemical by products.

The major raw materials used to produce our engineered coated products are polyethylene and polypropylene resins. Both of these products are petrochemical based products derived from crude oil and/or natural gas. These products are predominantly sourced from North American petrochemical manufacturers.

During 2010 resin-based, paper and adhesive raw material costs significantly increased and the Company was unable to pass on a portion of the cost increases to its customers due to pricing pressure. During the period 2009 through 2010, raw material costs increased by more than 30% for resin-based items, 15% for adhesive, and 30% for paper.

(5)

### **Research and Development and New Products**

Intertape Polymer Group's strategy is to create growth opportunities through enhancements of existing products and the introduction of new products. The Company's research and development efforts continue to focus on new products, technology developments, new product processes and formulations. As described in the sections that follow, the Company introduced several new high margin products in 2010 and has several more to be launched in 2011.

During 2010, Intertape introduced its new line of Intertape® brand double-coated tapes. These high-performance technical products are used in a number of applications including corrugated splicing, gasket attachment, plastic housing and component assembly, nameplates, interior and exterior trim attachments, and lens bonding. The double-coated tapes are also convertible for a wide variety of applications requiring die cuts and custom parts.

In 2009, Research and Development ( R&D ) introduced a line of filament tapes targeted for use in various appliance manufacturing applications. These filament tapes are high margin, high performance products which are manufactured at the Company's Richmond, Kentucky, Marysville, Michigan and Carbondale, Illinois facilities.

Intertape Polymer Group also entered the foil tape market with a full line of aluminum foil tapes manufactured at its Carbondale, Illinois facility. These tapes have application in various industries including aerospace, transportation, HVAC and industrial. The product line offers performance ranges within a variety of foil thicknesses and adhesive systems. The shiny, UV resistant foil backing offers an enhanced appearance, excellent reflective and flame retardant properties, and remains flexible to resist cracking and lifting around irregular or curved surfaces. The Company's foil products include lined, self-wound, FSK, ASJ, foil barrier laminates and metalized films.

In 2009, the Company also worked to introduce new high margin products. It developed a new 5x5 Nova-Seal®I product to strengthen the Company's position and entry into roofing distribution channels which was renamed in 2010, Nova-Seal®. The Company's line of Nova-Seal® underlayment is waterproof, wind resistant and has a patent pending anti-slip surface that is effective in both wet and dry weather. The Company also introduced a new woven product for waste containment which complements its existing AquaMaster® line.

Intertape also created a new technology called "roll edge face coated" which creates cleaner sharper paint lines with the Company's newly introduced BLOC-IT™ painters tape.

The Company also introduced PROLITE™, a lightweight clear film which offers superior load retention at a lower wrap cost per load. The film resists punctures and tears and has a lower reduction in width as it is stretched, thus allowing for narrower initial film widths and a reduced number of wraps to cover a load.

In 2008, R&D developed a biodegradable air pillow which was the first product in the Company's new low environmental impact line (Lili™).

During the year, R&D worked to develop new paint masking tapes that effect crisp lines of demarcation for the paint contractor and do-it-yourself (“DIY”) segments. Development work also included products with superior, water-white color and clarity to serve packaging segments.

Additionally, the Company’s R&D worked to develop foil protective products to support military maintenance programs, as well as filament reinforced products for spoolable, unbonded pipelines for the oil and gas industry. Lastly, high-temperature, solvent-resistant, double-coated tapes were developed for the electrical OEM segment, novel masking products were developed for OEM boat manufacturers and new, light-weight stencil products were developed for international monument carving accounts.

In 2008, the Company developed Nova-Seal®II which is a new generation of roof underlay that is lighter and easier to install than #30 building felt and is now called Nova-Seal® Premium.

The Company’s R&D expenses in 2010, 2009, and 2008 totaled \$6.3 million, \$5.6 million, and \$5.6 million, respectively.

(6)

### **Trademarks and Patents**

Intertape has embarked on a new corporate branding strategy during 2009 to create and communicate overall consistency and simplicity to its markets. The Company adopted a new look to its corporate logo and redid its sub-brand logos which are clearer and will help identify the individual product lines. The Company believes this will create unique identities and positions associated with Intertape Polymer Group and will build and maintain strong, positive customer perceptions.

Intertape Polymer Group markets its tape products under the trademarks Intertape® and Central™, and various private labels. The Company’s shrink wrap is sold under the registered trademark Exlfilm®. Its stretch films are sold under the registered trademark Stretchflex®.

The Company markets its open mouth bags under the registered trademark Nova-Pac®. The other key engineered coated products are sold under the registered trademarks Nova-Thene Haymaster®, AquaMaster®, NovaShield™,

NovaSeal® and NovaWrap™. Its engineered fabric polyolefin fabrics are sold under the registered trademark Nova-Thene®. FIBC's are sold under the registered trademark Cajun® bags. The Company has approximately 158 active registered trademarks, 68 in the United States, 38 in Canada, and 52 foreign, which include trademarks acquired from American Tape, Anchor, Rexford Paper Company, Central Products Company, and Flexia. The Company currently has 9 pending trademark applications in the United States and 5 foreign.

Intertape Polymer Group does not have, nor does management believe it important to the Company's business to have, patent protection for its carton sealing tape products. However, the Company has pursued patents in select areas where unique products offer a competitive advantage in profitable markets, primarily in engineered coated products for which the Company has 8 patents and 3 patents pending, film for which it has 9 patents and no patents pending, tape products for which it has 7 patents and 3 patents pending, adhesive products for which it has 1 patent and 4 patents pending, container products for which it has no patents, and retail for which it has 2 patents pending.

(7)

## **Competition**

The Company competes with other manufacturers of plastic packaging products as well as manufacturers of alternative packaging products, such as paper, cardboard and paper-plastic combinations. Some of these competitors are larger companies with greater financial resources than the Company. Management believes that competition, while primarily based on price and quality, is also based on other factors, including product performance characteristics and service. No statistics, however, on the packaging market as a whole are currently publicly available. Please refer to Section B(1) above for a discussion of the Company's main competitors by product.

The Company believes that significant barriers to entry exist in the packaging market. Management considers the principal barriers to be the high cost of vertical integration which is necessary to operate competitively, the significant number of patents which already have been issued in respect of various processes and equipment, and the difficulties and expense of developing an adequate distribution network.

(8)

## **Environmental Initiatives and Regulation**

(a)

### **Initiatives**

Intertape Polymer Group has and continues to be focused on reducing waste and minimizing any harmful environmental impact throughout its manufacturing process, or footprint left behind by the line of products manufactured and marketed by the Company. Lili™ is the Company's environmental stewardship program and stands for low environmental impact line from Intertape, however it is more than just the growing number of environmentally preferred products that the Company has and continues to develop, but is also a commitment by management and employees of the Company to continually look for opportunities to lower the Company's environmental impact. Intertape Polymer Group has and continues to implement activities, changes and programs that are designed to reduce waste in the manufacturing process; reduce the footprint left behind by its products, processes and employees; increase the recycle ability of products through mainstream recycling; provide an alternative solution to a less environmentally friendly product or application; reduces consumption of raw materials, fuel and other energy sources; reduces pollutants released through air, water and waste; and improves the safety and health of employees.

The Company's latest environmental initiative has been to focus on energy savings. In August 2009, the Company became an Energy Star® Partner, which is a voluntary partnership with the U.S. Environmental Protection Agency to improve energy efficiency and fight global warming. Intertape Polymer Group as an Energy Star® Partner joined the fight against global warming by improving the efficiency of its buildings and facilities. Products and buildings that have earned the Energy Star® designation prevent greenhouse gas emissions by meeting strict energy efficiency specifications set by the government.

(b)

### **Regulation**

Intertape Polymer Group's operations are subject to extensive environmental regulation in each of the countries in which it maintains facilities. For example, United States (federal, state and local) and Canadian (federal, provincial and municipal) environmental laws applicable to the Company include statutes and regulations intended to (i) impose certain obligations with respect to site contamination and to allocate the cost of investigating, monitoring and remedying soil and groundwater contamination among specifically identified parties, (ii) prevent future soil and groundwater contamination; (iii) impose national ambient standards and, in some cases, emission standards, for air

pollutants which present a risk to public health, welfare or the natural environment; (iv) govern the handling, management, treatment, storage and disposal of hazardous wastes and substances; and (v) regulate the discharge of pollutants into waterways.

The Company's use of hazardous substances in its manufacturing processes and the generation of hazardous wastes not only by the Company, but by prior occupants of its facilities, suggest that hazardous substances may be present at or near certain of the Company's facilities or may come to be located there in the future. Consequently, the Company is required to monitor closely its compliance under all the various environmental laws and regulations applicable to the Company. In addition, the Company arranges for the off-site disposal of hazardous substances generated in the ordinary course of its business.

Intertape Polymer Group obtains Phase I or similar environmental site assessments, and Phase II environmental site assessments, if necessary, for most of the manufacturing facilities it owns or leases at the time the Company either acquires or leases such facilities. These assessments typically include general inspections and may involve soil sampling and/or ground water analysis. The assessments have not revealed any environmental liability that, based on current information, the Company believes will have a material adverse effect on the Company. Nevertheless, these assessments may not reveal all potential environmental liabilities and current assessments are not available for all facilities. Consequently, there may be material environmental liabilities that the Company is not aware of. In addition, ongoing clean up and containment operations may not be adequate for purposes of future laws and regulations. The conditions of the Company's properties could also be affected in the future by neighboring operations or the conditions of the land in the vicinity of the Company's properties. These developments and others, such as increasingly stringent environmental laws and regulations, increasingly strict enforcement of environmental laws and regulations, or claims for damage to property or injury to persons resulting from the environmental, health or safety impact of the Company's operations, may cause it to incur significant costs and liabilities that could have a material adverse effect on the Company.

Except as described below, the Company believes that all of its facilities are in material compliance with applicable environmental laws and regulations, and that the Company has obtained, and is in material compliance with, all material permits required under environmental laws and regulations.



The Company is currently remediating contamination at its Columbia, South Carolina plant. As a result of the acquisition of all of the shares of Flexia Corporation Ltd., the Company inherited limited soil contamination resulting from historical activities at Flexia's facility located in Trois-Rivières (formerly the city of Cap-de-la-Madeleine), Québec. The Company received a letter from the Ministry of Sustainable Development, Environment and Parks confirming that the activities carried out at the Trois-Rivières facility at the time the Company closed the facility were not activities designated under the Land Protection and Rehabilitation Regulation, thus no remediation was necessary at the facility as a result of ceasing its activities. The Trois-Rivières facility has been sold with no residual environmental liability to the Company. The Company has completed remediation activities at its Marysville, Michigan facility and received final approval of the remediation from the State of Michigan. In addition, although certain of the Company's facilities emit regulated pollutants into the air, the emissions are within current permitted limitations, including applicable Maximum Achievable Control Technology (MACT) requirements. The Company believes that the ultimate resolution of these matters should not have a material adverse effect on its financial condition or results of operations.

Intertape Polymer Group and its operating subsidiaries are required to maintain numerous environmental permits and governmental approvals for their operations. Some of the environmental permits and governmental approvals that have been issued to the Company or its operating subsidiaries contain conditions and restrictions, including restrictions or limits on emissions and discharges of pollutants and contaminants, or may have limited terms. If the Company or any of its operating subsidiaries fails to satisfy these conditions or to comply with these restrictions, it may become subject to enforcement action and the operation of the relevant facilities could be adversely affected. The Company may also be subject to fines, penalties or additional costs. The Company or its operating subsidiaries may not be able to renew, maintain or obtain all environmental permits and governmental approvals required for the continued operation or further development of its facilities, as a result of which the operation of its facilities may be limited or suspended.

C.

## **ORGANIZATIONAL STRUCTURE**

Intertape Polymer Group is a holding company which owns various operating companies in the United States, Canada and internationally. ECP GP II Inc., a Canadian corporation, is the principal operating company for the Company's Canadian operations. Intertape Polymer Corp., a Delaware corporation, is the principal operating company for the Company's United States and international operations.

The table below lists for each of the subsidiaries of the Company their respective place of incorporation or constitution, as the case may be, and the percentage of voting securities beneficially owned or over which control or direction is exercised directly or indirectly by Intertape Polymer Group.

| <b>Corporation</b>                             | <b>Place of<br/>Incorporation or<br/>Constitution</b> | <b>Percentage of Ownership<br/>or Control</b> |
|--|---|---|
| Intertape Polymer Group Inc.                   | Canada  | Parent  |
| Intertape Polymer Inc.                         | Canada  | 100%  |
| ECP GP II Inc.                                 | Canada  | 100%  |
| ECP L.P.                                       | Province of Ontario                                   | 100%  |
| Spuntech Fabrics Inc. *                        | Canada  | 100%  |
| Intertape Polymer Corp.                        | Delaware  | 100%  |
| Intertape Woven Products Services S.A. de C.V. | Mexico  | 100%  |
| Intertape Woven Products, S.A. de C.V.         | Mexico  | 100%  |
| IPG Holdings LP *                              | Delaware  | 100%  |

|  |          |      |
|--|----------|------|
| Polymer International Corp. *              | Virginia | 100% |
| IPG (US) Inc.                              | Delaware | 100% |
| IPG (US) Holdings Inc.                     | Delaware | 100% |
| Intertape Polymer US Inc.                  | Delaware | 100% |
| Fibope Portuguesa-Filmes Biorientados S.A. | Portugal | 100% |
| Intertape Polymer Europe GmbH              | Germany  | 100% |

\* Dormant

#### D.

#### PROPERTY, PLANTS AND EQUIPMENT

| Location  | Status | Use                          | Products  | Square Feet           | Property Size (Acres) |
|---|--------|------------------------------|---|-----------------------|-----------------------|
| 3647 Cortez Road West (1)<br>Bradenton, FL 34210                | Owned  | Office Building              | N/A   | 1 Building - 20,800   | 3.71                  |
| 369 Elgin Street<br>Brantford, Ontario N3S7P5                   | Owned  | Manufacturing                | Engineered Coated Products ( ECPs )<br>(scheduled to be closed in April 2011) | 1 Building 169,000    | 9.20                  |
| 2000 South Beltline Boulevard<br>Columbia, South Carolina 29201 | Owned  | Manufacturing                | Tapes (paper duct)  | 7 Buildings - 500,000 | 85.15                 |
| 360 Ringgold Industrial Pkwy.<br>Danville, VA 24540             | Leased | Regional Distribution Center | All products  | 200,000               |                       |
| 1201 and 1301 Spence Avenue                                     | Owned  | Manufacturing                | Closed  | 2 Buildings - 64,900  | 6.30                  |

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|                                      |        |  |                        |            |       |
|--------------------------------------|--------|--|------------------------|------------|-------|
| Hawkesbury, Ontario K6A<br>3T4       |        |  |                        | (For Sale) |       |
| 19680 94A Avenue                     | Leased | Manufacturing ECPs                     |                        |            |       |
| Langley, British Columbia<br>V1M 2B7 |        |  |                        |            |       |
| 317 Kendall Street                   | Owned  | Manufacturing Tapes (paper reinforced) | 5 Buildings<br>234,000 |            | 11.53 |
| Marysville, Michigan 48040           |        |  |                        |            |       |
| 741 4 <sup>th</sup> Street           | Owned  | Manufacturing Tapes (water activated)  | 1 Building 168,000     |            | 5.81  |
| Menasha, Wisconsin 54952             |        |  |                        |            |       |
| 748 4 <sup>th</sup> Street           | Owned  | O f f i c e N/A<br>Building            | 1 Building 23,100      |            | n/a   |
| Menasha, Wisconsin 54953             |        |  |                        |            |       |

|  |        |               |   |         |       |
|--|--------|---------------|---|---------|-------|
| 2000 Enterprise Drive<br>Richmond, Kentucky 40475            | Owned  | Manufacturing | carton sealing tape, 1 Building<br>masking tape, and<br>reinforced tape | 192,000 | 35.00 |
| 760 W 1000 N<br>Tremonton, Utah 84337                        | Owned  | Manufacturing | E x l f i l m ® , 1 Building<br>Stretchflex®                            | 115,000 | 17.00 |
| 50 Abbey Avenue<br>Truro, Nova Scotia                        | Owned  | Manufacturing | engineered fabric 1 Building<br>products and<br>ExlFilm®                | 315,000 | 13.00 |
| 543 Willow Street<br>Truro, Nova Scotia                      | Leased | Warehouse     |   |         |       |
| 9942 Currie Davis Dr., Ste 23B<br>Tampa, Florida 33619       | Leased |               | Assembles tape<br>dispensing<br>machinery                               |         |       |
| 2200 North McRoy Drive<br>Carbondale, Illinois 62901         | Owned  | Manufacturing | Tapes - electrical  | 192,000 |       |
| 1095 S. 4 <sup>th</sup> Avenue<br>Brighton, Colorado 80601   | Leased | Manufacturing | Film  | 182,462 |       |
| 1101 Eagle Springs Road (2)<br>Danville, Virginia 24540      | Owned  | Manufacturing | Carton sealing tape, 1 Building<br>Stretchflex®,<br>acrylic coating     | 300,000 | 26.0  |
| 341 Bullys Street<br>Eagle Pass, Texas 78852                 | Leased | Warehouse     | FIBCs   | 20,000  |       |
| 772 Specialists Avenue<br>Neenah, Wisconsin 54956            | Leased | Distribution  | Tapes water<br>activated  |         |       |
| 1407 The Boulevard, Suite E<br>Rayne, Louisiana 70578        | Leased | Offices       | N/A   |         |       |
| 185 McQueen Street<br>West Columbia, South<br>Carolina 29172 | Leased | Warehouse     | Tapes   |         |       |
| 4061 E. Francis Street                                       | Leased | Warehouse     | Tapes   | 45,630  |       |

|   |              |   |                      |
|---|--------------|---|----------------------|
| Ontario, California 91761                 | a            | n | d Packaging products |
|   | Distribution |   |                      |
| 9999 Cavendish Blvd., Suite Leased<br>200 | Offices      |   | N/A                  |
| St. Laurent, Quebec<br>H4M2X5             |              |   |                      |

|  |           |                  |                   |         |
|--|-----------|------------------|-------------------|---------|
| Trevino Norte No. 1125                   | Leased    | Manufacturing    | Tapes - rewinding | 170,222 |
| Pedras Negras, 26080<br>Coahuila, Mexico |           |                  |                   |         |
| L u g a r                                | d e Owned | Manufacturing    | ExlFilm®          | 35,500  |
| Vilares-Barqueiros                       |           | and Distribution |                   |         |

4740-676 Barqueiros BCL

Barcelos, Portugal

(1) \$1,765,500 Commercial Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Filing

(2) \$3,000,000 Deed of Trust and Security Agreement

**Item 4A.**

**Unresolved Staff Comments**

Not Applicable.

**Item 5.**

**Operating and Financial Review and Prospects (Management's Discussion & Analysis)**

**Business Overview**

Intertape Polymer Group Inc. ( IPG or the Company as to this Item 5 only) was founded in 1981 and is a recognized leader in the specialty packaging industry in North America. As a result of the Company's structural, operational, management and reporting realignments during the third quarter of 2010, the Company no longer has two operating divisions, Tapes and Films Division ( T&F Division ) and Engineered Coated Products Division ( ECP Division ). The Company believes that this change is significantly improving organizational effectiveness and maximizing the benefits of the Company's supply chain, operational, sales and marketing resources. The Company develops, manufactures and sells a variety of specialized polyolefin films, paper and film pressure sensitive tapes and

complementary packaging systems for use in industrial and retail applications. The Company designs its specialty products for aerospace, automotive and industrial applications. The Company's tape and film products are sold to a broad range of industrial and specialty distributors, consumer outlets and large end-users in diverse markets. Other tape products include carton sealing tapes, including Intertape® pressure-sensitive and water-activated tapes; industrial and performance specialty tapes, including masking, duct, electrical and reinforced filament tapes; ExiFilm® shrink film; and Stretchflex® stretch wrap. The Company also manufactures engineered coated fabrics and flexible intermediate bulk containers ( FIBC ). These products are sold through a variety of industrial and specialty distributors with a focus on sales to the construction and agricultural markets as well as the flexible packaging market.

During 2010, the Company increased sales by 17.1%. However, significant raw material cost increases occurred that the Company was not able to entirely pass along to customers due to competitive pressures. This contributed to a 2.5% deterioration of gross margin from 2009 to 2010. From 2009 to 2010, raw material costs increased by more than: 30%, 15% and 30% for resin-based items, adhesives and paper, respectively.

The Company decided to close its Brantford, Ontario, Canada manufacturing facility due to the economic consequences of the continuing strike of its unionized workers. As a result of this plant closure, a charge of \$7.4 million was recorded in the fourth quarter related to property, plant and equipment, severance, inventory and parts and supplies. Various other expenses of between \$1.0 million and \$1.5 million are expected to be recorded when incurred throughout 2011. While some of the Brantford production will be transferred internally to other facilities, the Company has decided to discontinue certain non-core product lines. The closure of the Brantford, Ontario facility is expected to result in an annualized increase in EBITDA (as such non-GAAP term is defined in the EBITDA section below) of approximately \$4 million, even though it is expected to negatively impact annualized sales by about \$10 million.



The Company continued to place concerted sales and marketing effort to focus on higher margin products which include recently launched products and a portfolio of existing products. Manufacturing cost reduction programs, which included productivity improvements, waste reduction and energy conservation, were implemented during 2010 and totalled approximately \$15 million.

For the fiscal year 2010, the Company reported a net loss of \$56.4 million (\$0.96 per share, both basic and diluted) compared to a net loss of \$14.4 million (\$0.24 per share, both basic and diluted) for 2009. The significant increase in net loss for the year ended December 31, 2010 in comparison to 2009 is mainly due to:

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Gross margin compression resulting from raw material cost increases;

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A change in the valuation allowance of future tax assets of \$37.8 million, which included a \$31.9 million increase in the fourth quarter with respect to the US jurisdiction;

- 

Facility closure costs of \$8.1 million, including \$7.4 million related to the Brantford, Ontario manufacturing facility closure; and

- 

Asset impairments of \$4.0 million, including \$3.9 million related to the lumber film automatic wrapping machines and related assets.

Manufacturing cost reductions are expected to total \$15 to \$18 million in 2011. Some of these cost savings will be offset by continued pricing pressures in the marketplace as well as rising input costs. New product sales and penetration into new markets are also expected to continue in 2011. Furthermore, additional leverage is expected to be realized on fixed costs. The combination of these factors, together with the positive impact from the Brantford, Ontario facility closure and expected improvement in the spread between raw material costs and selling prices are projected to contribute to increased gross margin in 2011. The Company continues to maintain a longer-term target gross margin of 18% to 19%. Gross margin expansion combined with sales growth is expected to generate cash flows from operations sufficient to reduce debt during 2011.

A focus on making only essential capital expenditures and managing working capital, combined with an increase in cash flows from operations before changes in working capital items, allowed the Company to limit the increase in debt

to 1.8% despite an increase in sales of 17.1%, significant gross margin compression and the requirement to post a bond related to the Inspired Technologies, Inc. ( ITI ) litigation. Capital expenditures decreased by 34.4% from \$13.1 million for the year 2009 to \$8.6 million for the year 2010. Capital expenditures are expected to increase in 2011 to between \$15 and \$18 million, which includes some projects which were deferred in 2010.

In 2009, the Company filed a complaint in the U.S. District Court for the Middle District of Florida against ITI alleging that ITI had breached its obligations under a supply agreement between the Company and ITI. The supply agreement provided that the Company would manufacture and supply certain products to ITI, and ITI would purchase such products exclusively from the Company. The Company alleged that ITI breached this agreement by licensing a third party to manufacture and sell the products.

ITI filed a counterclaim against the Company alleging that the Company had breached its obligations under the agreements between the parties. ITI also alleged that the Company had engaged in trademark infringement, false advertising, deceptive trade practices, unfair competition and consumer fraud.

On July 14, 2010, the Court granted a motion for summary judgment in favour of the Company on the issue of whether the Company had engaged in trademark infringement, false advertising, deceptive trade practices, unfair competition and consumer fraud. On September 13, 2010, the Court on its own motion determined that the licensing by ITI of its technology to another manufacturer did not violate the supply agreement. It also ordered that the position of the parties be reversed, with the Company being positioned as the defendant.

On September 22, 2010, a jury trial was held on the remaining issues. The jury concluded that the Company had breached certain obligations under the supply agreement and the confidentiality agreements, and awarded ITI approximately \$13.2 million as compensation for its damages.

On October 27, 2010, the Company filed its post-trial motions with the trial court requesting a judgment as a matter of law, new trial, or remittitur. On December 17, 2010, the Court granted Intertape's alternative motion for remittitur. In its order, the Court

offered Plaintiff ITI the choice between accepting a remitted judgment amount of \$3.4 million (which included a principal amount of \$3.0 million plus prejudgment interest and attorneys' fees) or electing a new trial on damages. On January 5, 2011, ITI filed a notice stating that it had chosen a new trial on damages. On January 6, 2011, the Court set February 9, 2011 as the date for a new trial and a trial was held on the issue of damages. On February 11, 2011, the jury returned a verdict against the Company in the amount of \$0.7 million.

The execution of the judgment will be stayed during the period required for the Court to rule on the post-trial motions and appeal. At December 31, 2010, the Company had posted an appellate bond of \$13.2 million related to the original judgment (the Bond) plus required post judgment interest. The Bond was secured with an \$8.0 million letter of credit and \$5.2 million of cash, which is shown as restricted cash on the December 31, 2010 balance sheet. Both the restricted cash and the letter of credit reduced the availability under the Asset Based Loan (ABL) as of December 31, 2010. Subsequent to December 31, 2010, the Bond was adjusted by the Court based upon the outcome of the new trial. As of March 10, 2011, the amount of the bond is \$1.0 million, which includes \$0.7 million of damages and \$0.3 million of anticipated legal fees and pre-judgment interest.

The Company's management has concluded that although it is possible that it will incur a loss as a result of the ITI litigation, as of December 31, 2010, the amount of the contingent loss cannot be reasonably estimated. In reaching this conclusion, the Company's management considered, among others, the nature and merits of the claims made by parties in the litigation; the appellate process, and the current procedural status of the case. Accordingly, the Company did not record an accrual in connection with this contingent loss.

## **Liquidity**

On March 27, 2008, the Company successfully refinanced its Senior Secured Credit Facility (Facility) with a \$200.0 million ABL entered into with a syndicate of financial institutions. The amount of borrowings available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is determined by calculating a percentage of eligible trade accounts receivable, inventories and property, plant, and equipment. The ABL is priced at libor plus a loan margin determined from a pricing grid. The loan margin declines as unused availability increases. The loan grid ranges from 1.50% to 2.25%. Unencumbered real estate is subject to a negative pledge in favour of the ABL lenders. However, the Company retains the ability to secure financing on all or a portion of its owned real estate and have the negative pledge of the ABL lenders subordinated up to \$35.0 million of real estate mortgage financing. As of December 31, 2010, the Company had secured real estate mortgage financing of \$4.6 million, leaving the Company the ability to obtain an additional \$30.4 million of real estate mortgage financing.

With the March 2008 refinancing of the Facility, the Company has no significant debt maturities until March 2013, when the ABL matures. The Company's remaining \$118.7 million Senior Subordinated Notes mature in August 2014.

The ABL has a financial covenant, a fixed charge ratio of 1.0 to 1.0. The ratio compares EBITDA (as defined in the ABL agreement) less capital expenditures and pension plan payments in excess of pension plan expense to the sum of debt service and the amortization of the value of machinery and equipment included in the borrowing base. The financial covenant becomes effective only when unused availability drops below \$25.0 million. Although not in effect, the Company was in compliance with the fixed charge ratio covenant as of December 31, 2010. As of December 31, 2010 the fixed charge ratio was 1.16. To date in the first quarter of 2011, the Company has maintained availability in excess of \$25.0 million and believes it will remain above the \$25.0 million threshold of unused availability during 2011.

The Company relies upon the funds generated from operations and funds available under its ABL to meet working capital requirements and anticipated obligations under its ABL and the Senior Subordinated Notes and to finance capital expenditures for the foreseeable future. The amount of borrowings under the Company's ABL increased by \$2.6 million from \$85.4 million as of December 31, 2009 to \$88.0 million as of December 31, 2010. As of December 31, 2010, the Company had cash and unused availability under its ABL totalling \$43.0 million, the amount of which would have been \$56.2 million if the Company had not been required to post a bond of \$13.2 million related to the ITI litigation discussed above. Due to a reduced verdict, subsequent to December 31, 2010, the bond related to the ITI litigation was replaced with a bond in the amount of \$1.0 million. As of March 21, 2011 cash and unused availability under the ABL exceeded \$44 million, the amount of which would have exceeded \$45 million if the Company had not been required to post a bond of \$1.0 million related to the ITI litigation.

## Outlook

The Company anticipates sequentially slightly higher sales and sequentially higher Adjusted EBITDA in the first quarter of 2011 compared to the fourth quarter of 2010. Sales and Adjusted EBITDA are both expected to be higher in the first quarter of 2011 compared to the first quarter of 2010. The closure of the Brantford, Ontario facility is expected to result in an annualized increase in EBITDA of about \$4 million once this facility is closed, even though it is expected to negatively impact annualized sales by about \$10 million. Please see the section entitled "EBITDA" below for the Company's definition of EBITDA and Adjusted EBITDA and a reconciliation of these non-GAAP financial measures.

## Results of Operations

The following discussion and analysis of operating results includes adjusted financial results for the three years ended December 31, 2010. A reconciliation from the operating results found in the consolidated financial statements to the adjusted operating results discussed herein, a non-GAAP financial measure, can be found in the Adjusted Consolidated Earnings (Loss) tables set forth above.

Included in this MD&A are references to events and circumstances which have influenced the Company's quarterly operating results presented in the table of Consolidated Quarterly Statements of Earnings set forth above.

The net loss for 2010 was \$56.4 million compared to a net loss of \$14.4 million for 2009. The net loss for 2010 includes:

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Gross margin compression resulting from raw material cost increases;

- 

A change in the valuation allowance of future tax assets of \$37.8 million, which included a \$31.9 million increase in the fourth quarter with respect to the US jurisdiction;

-

Facility closure costs of \$8.1 million, including \$7.4 million related to the Brantford, Ontario manufacturing facility closure; and

- 

Asset impairments of \$4.0 million, including \$3.9 million related to the lumber film automatic wrapping machines and related assets.

The net loss for 2009 was \$14.4 million compared to a net loss for 2008 of \$92.8 million. The net loss for 2009 includes a \$1.1 million charge for the closure of the Company's manufacturing facility in Hawkesbury, Ontario, Canada. The net loss for 2008 includes a \$66.7 million impairment of goodwill and \$6.0 million of refinancing expense related to the refinancing of the Company's Facility with the ABL.

## **Sales**

The Company's sales for 2010 were \$720.5 million, a 17.1% increase compared to \$615.5 million for 2009. Sales for 2009 were \$615.5 million, a 16.5% decrease compared to \$737.2 million for 2008. Sales volume increased approximately 9% and selling prices increased approximately 8% during the year 2010 compared to the year 2009.

Sales for the fourth quarter of 2010 totalled \$180.1 million, a 12.0% increase compared to \$160.8 million for the fourth quarter of 2009. Sales volume increased approximately 1% and selling prices increased approximately 11% during the fourth quarter of 2010 compared to the fourth quarter of 2009. The increase in sales was primarily attributable to higher selling prices which partially recovered raw material cost increases incurred during the latter half of 2010.

## **Gross Profit and Gross Margin**

Gross profit totalled \$79.6 million in 2010, a decrease of 4.0% from 2009. Gross profit totalled \$82.9 million in 2009, an increase of 6.0% from 2008. Gross margin was 11.0% in 2010, 13.5% in 2009 and 10.6% in 2008. The decrease in both gross profit and gross margin from 2009 to 2010 was due to higher resin-based, adhesive and paper raw material costs and a total of \$4.0 million of asset impairments, including \$3.9 million related to the lumber film automatic wrapping machines and related assets. Gross profit for the fourth quarter of 2010 was \$19.0 million compared to a gross profit of \$20.2 million in the fourth quarter of 2009.



Gross margin was 10.6% in the fourth quarter of 2010 and 12.5% in the fourth quarter of 2009. The decline in gross profit for the fourth quarter of 2010 as compared to the fourth quarter of 2009 is primarily attributable to a \$3.9 million asset impairment related to the lumber film automatic wrapping machines and related assets.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses ( SG&A ) for the year ended December 31, 2010 totalled \$72.5 million, an increase of \$2.7 million from the \$69.8 million incurred for the year ended December 31, 2009. The 2009 SG&A expenses were up \$1.6 million from \$68.2 million in 2008. As a percentage of sales, SG&A expenses were 10.1%, 11.3% and 9.3% for 2010, 2009 and 2008, respectively.

The increase in SG&A for 2010 as compared to 2009 was primarily due to higher sales, partially offset by the non-recurrence of adjustments made in 2009 with respect to accounting for trade receivables and the medical claim liability.

The increase in SG&A for 2009 as compared to 2008 was primarily due to adjustments made in 2009 with respect to accounting for trade receivables and the medical claim liability.

SG&A expenses totalled \$18.6 million (10.4% of sales), \$20.0 million (12.5% of sales) and \$17.1 million (9.1% of sales), for the fourth quarter of 2010, fourth quarter of 2009, and third quarter of 2010, respectively. The decrease from the fourth quarter of 2009 to the fourth quarter of 2010 was primarily related to the non-recurrence of adjustments made with respect to amounts for trade receivables and the medical claim liability. The increase in SG&A from the third quarter of 2010 to the fourth quarter of 2010 was due to merchandising costs in the consumer channel and higher selling expenses related to annual incentive plans.

Included in SG&A expenses are the costs the Company incurs as a consequence of being a public company. These costs totalled \$1.5 million, \$1.8 million and \$1.3 million for the three years ended December 31, 2010, 2009 and 2008, respectively.

### **Stock-Based Compensation**



For 2010, 2009 and 2008, the Company recorded approximately \$1.0 million, \$1.0 million and \$1.3 million, respectively, in stock-based compensation expense related to options granted to employees.

## **Operating Profit**

This discussion presents the Company's operating profit for 2010, 2009 and 2008. Operating profit does not have a standardized meaning prescribed by GAAP in Canada or in the United States but is included herein as the Company's management uses operating profit to measure and evaluate the profit contributions of the Company's product offerings as well as the contribution by channel of distribution.

Because operating profit is a non-GAAP financial measure, other companies may present similar titled items determined with differing adjustments. Presented below is a table reconciling this non-GAAP financial measure with gross profit being the most comparable GAAP measurement. The reader is encouraged to review this reconciliation. Operating profit is defined by the Company as gross profit less SG&A and stock-based compensation expense.

## OPERATING PROFIT RECONCILIATION

(In millions of US dollars)

(Unaudited)

|                                | Three months ended |       | Year ended   |      |      |
|--------------------------------|--------------------|-------|--------------|------|------|
|                                | December 31,       |       | December 31, |      |      |
|                                | 2010               | 2009  | 2010         | 2009 | 2008 |
|                                | \$                 | \$    | \$           | \$   | \$   |
| Gross Profit                   | 19.0               | 20.2  | 79.6         | 82.9 | 78.3 |
| Less: SG&A expenses            | 18.6               | 20.0  | 72.5         | 69.8 | 68.2 |
| Less: Stock-based compensation | 0.2                | 0.3   | 1.0          | 1.0  | 1.3  |
| Operating Profit (Loss)        | 0.2                | (0.1) | 6.2          | 12.1 | 8.8  |

Operating profit for 2010 amounted to \$6.2 million compared to \$12.1 million for 2009 and \$8.8 million for 2008. The 2010 decrease in operating profit compared to 2009 is primarily due to gross margin compression related to the increased cost of resin-based, adhesive and paper raw materials and to asset impairments of \$4.0 million, including \$3.9 million related to the lumber film automatic wrapping machines and related assets. Operating profit increased in 2009 compared to 2008 by \$3.3 million primarily due to higher gross profit resulting from the non-recurrence of the unprecedented gross margin compression in the fourth quarter of 2008.

The Company's operating profit for the fourth quarter of 2010 was \$0.2 million compared to a loss of \$0.1 million for the fourth quarter of 2009.

**Manufacturing Facility Closures, Restructuring, and Other Charges**

The Company has decided to terminate the operations of its manufacturing facility located in Brantford, Ontario, Canada. The facility is scheduled to be closed by June 2011 due to the economic consequences of the continuing strike of its unionized workers. As a result of this facility closure, a charge of \$7.4 million was recorded in the fourth quarter of 2010 related to property, plant and equipment, severance, inventory and spare parts and supplies. Various other expenses of between \$1.0 million and \$1.5 million are expected to be recorded when incurred throughout 2011.

Effective November 10, 2009, the Company decided to terminate the operations of its manufacturing facility located in Hawkesbury, Ontario, Canada (the Closure ) as part of its ongoing efforts and objectives to lower costs, enhance customer order fulfillment and effectively optimize inventory investment. The terminated operations were transferred and consolidated into the Company's manufacturing facility located in Truro, Nova Scotia, Canada in the early part of 2010. In connection with this Closure, the Company recorded a severance charge, property, plant and equipment impairments and inventory write-downs totalling approximately \$1.1 million in the fourth quarter of 2009.

The Hawkesbury manufacturing operations were shut down at the end of 2009. The buildings were not sold as of December 31, 2010. Subsequent to December 31, 2010, a sales contract was entered into to sell one of the buildings and new market information became available related to the other building. The sale of the building under contract is expected to be completed during the second quarter of 2011. Accordingly, an additional impairment of \$0.7 million was recorded in the period to reduce the carrying value of these assets to the fair market value less estimated selling costs.

### **Impairment of Goodwill**

In accordance with the requirements of the Canadian Institute of Chartered Accountants ( CICA ), which are substantively equivalent to the applicable US standards, in past years the Company performed an annual goodwill impairment test as of December 31. The Company conducted its annual impairment test at December 31, 2008 and concluded that the goodwill attributable to both reporting units as then existing was fully impaired due to the adverse changes in the economic environment

in existence at that time and the expectation that many of these factors would not improve in the near-term. Accordingly, the Company wrote-off the balance of the goodwill, amounting to \$66.7 million.

## **Research and Development**

Research and development ( R&D ) remains an important function within the Company. Taken as a percentage of sales, R&D expenses represented 0.9% for 2010, 0.9% for 2009, and 0.8% for 2008. The Company continues to focus its R&D efforts on new products, new technology developments and new processes and formulations for existing products.

## **EBITDA**

A reconciliation of the Company's EBITDA, a non-GAAP financial measure, to GAAP net earnings (loss) is set out in the EBITDA reconciliation table below. EBITDA should not be construed as earnings (loss) before income taxes, net earnings (loss) or cash from operating activities as determined by GAAP. The Company defines EBITDA as net earnings (loss) before (i) income taxes (recovery); (ii) financial expenses, net of amortization (including foreign exchange gain (loss)); (iii) refinancing expense, net of amortization; (iv) amortization of debt issue expenses; (v) amortization of intangibles assets and deferred charges; and (vi) depreciation of property, plant and equipment.

Adjusted EBITDA is defined as EBITDA before (i) manufacturing facility closures, restructuring, strategic alternatives and other charges; (ii) impairment of goodwill; (iii) impairment of long-lived assets and other assets; (iv) unprecedented gross margin compression; and (v) write-down on classification as assets held-for-sale. The terms

EBITDA and Adjusted EBITDA do not have any standardized meanings prescribed by GAAP in Canada or in the United States and are therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA and Adjusted EBITDA are not measurements of financial performance under GAAP and should not be considered as alternatives to cash flows from operating activities or as alternatives to net earnings (loss) as indicators of the Company's operating performance or any other measures of performance derived in accordance with GAAP. The Company has included these non-GAAP financial measures because it believes that it permits investors to make a more meaningful comparison of the Company's performance between periods presented. In addition, EBITDA and Adjusted EBITDA are used by management and the Company's lenders in evaluating the Company's performance.

## ADJUSTED EBITDA RECONCILIATION TO NET LOSS

(In millions of US dollars)

(Unaudited)

|   | Three months ended |       | Year ended   |        |        |
|---|--------------------|-------|--------------|--------|--------|
|   | December 31,       |       | December 31, |        |        |
|   | 2010               | 2009  | 2010         | 2009   | 2008   |
|   | \$                 | \$    | \$           | \$     | \$     |
| Net Loss As Reported  | (43.4)             | (8.5) | (56.4)       | (14.4) | (92.8) |
| Add back:   |                    |       |              |        |        |
| Financial expenses, net of amortization<br>(including foreign exchange gain (loss)) | 3.5                | 2.8   | 15.1         | 14.6   | 18.7   |
| Refinancing expense, net of<br>amortization   |                    |       |              |        | 2.9    |
| Income taxes  | 30.3               | 2.7   | 31.9         | 4.0    | 3.4    |
| Depreciation and amortization   | 9.2                | 9.7   | 37.4         | 37.7   | 39.6   |
| EBITDA  | (0.4)              | 6.7   | 27.9         | 41.9   | (28.2) |
| Impairment of long-lived assets and<br>other assets                                 | 3.9                | 0.1   | 4.0          | 0.1    | 0.4    |
| Gross margin compression  |                    |       |              |        | 16.6   |
| Write-down of asset held-for-sale   | 0.1                |       | 0.7          |        |        |
| Manufacturing facility closures,<br>restructuring, and other charges                | 8.1                | 1.1   | 8.1          | 1.1    |        |
| Impairment of goodwill  |                    |       |              |        | 66.7   |
| Adjusted EBITDA   | 11.7               | 7.9   | 40.7         | 43.1   | 55.5   |

EBITDA was \$27.9 million for 2010, \$41.9 million for 2009, and negative \$28.2 million for 2008. Adjusted EBITDA was \$40.7 million, \$43.1 million, and \$55.5 million for 2010, 2009 and 2008, respectively. The Company's EBITDA for the fourth quarter of 2010 was negative \$0.4 million compared to \$6.7 million for the fourth quarter of 2009. The Adjusted EBITDA was \$11.7 million for the fourth quarter of 2010 as compared to \$7.9 million for the fourth quarter of 2009. The higher adjusted EBITDA for the fourth quarter of 2010 compared to the fourth quarter of 2009 is primarily the result of higher sales.

**Financial Expenses**

Financial expenses increased 4.1% to \$16.4 million for 2010 from \$15.7 million for 2009. The increase in financial expenses for 2010 was due to a non-recurring \$0.8 million gain in 2009 related to the repurchase of Senior Subordinated Notes. The Notes had a notional value of \$6.3 million and were purchased at a discount in the fourth quarter of 2009.

Financial expenses decreased 39.1% to \$15.7 million for 2009 as compared to \$25.8 million for 2008. Included in the first quarter of 2008 was a \$6.0 million refinancing expense related to the refinancing of the Facility. The refinancing expense includes a \$2.9 million loss on the settlement of two interest rate swap agreements. This loss was reclassified from accumulated other comprehensive income as a result of the discontinuance of the cash flow hedges because the debt being hedged was refinanced and the hedging relationship was thereby terminated. Also included in refinancing expense was \$3.1 million of accelerated amortization of debt issue expense incurred in connection with securing the Facility in 2004. Financial expenses for 2009 had no such refinancing expense included.

Financial expenses for the fourth quarter of 2010 totalled \$3.9 million, a \$0.8 million increase from financial expenses in the fourth quarter of 2009. The increase was due to the net gain on the repurchase of Senior Subordinated Notes in the fourth quarter of 2009 totalling \$0.8 million.

## **Income Taxes**

In the past three years, the Company's effective income tax rate has been influenced primarily by a lower income tax rate applicable to its foreign-based taxable income, claiming of allowable manufacturing and processing deductions, accounting for transactions that resulted in permanent differences and changes in the valuation allowance. The Company's income tax expense for the year ended December 31, 2010 was mainly impacted by an increase in the valuation allowance.

In assessing the recoverability of future income tax assets, the Company's management determines, at each balance sheet date, whether it is more likely than not that a portion or all of its future income tax assets will be realized. In accordance with GAAP, this determination is based on the Company's management's quantitative and qualitative assessments and the weighing of all available evidence, both positive and negative. Such evidence includes, among others, the scheduled reversal of future income tax liabilities, projected future taxable income, and the implementation of tax planning strategies. However, GAAP places a significant weight on the Company's historical financial performance when making such a determination. Accordingly, the expectation of generating taxable income in future periods may not be sufficient to overcome the negative presumption associated with historical and cumulative operational losses.

Accordingly, as of December 31, 2010, while the Company's management is projecting a positive outlook from increased sales, the implementation and realization of cost reduction measures, and the continued increase in sales of new products with higher gross margins, the Company's management must consider the significant weight that GAAP places on historical cumulative operational losses in determining its valuation allowance. As such, for the year ended December 31, 2010, the Company recorded an additional valuation allowance of \$33.4 million related to its future income tax assets in the US jurisdiction and \$4.4 million against its future income tax assets in the Canadian jurisdiction. These future income tax assets remain available, and the Company expects to use them to reduce taxable income in future periods. When these future income tax assets are used, or when the valuation allowance is reversed, if sooner, the Company will record the related benefit in its consolidated earnings.

During the three months ended December 31, 2010, the Company recorded a \$0.8 million charge to its consolidated earnings due to a decrease in operating loss carry-forwards in the Canadian jurisdiction as a result of an income tax audit for the fiscal years 2004, 2005 and 2006. As of December 31, 2010, the Company has \$40.2 million (CDN\$40.2 million) of Canadian operating loss carry-forwards expiring in 2014 through 2030, including \$21.0 million (CDN\$21.0 million) for which no valuation allowance is recorded, and \$208.1 million of US federal and state operating losses expiring in 2012 through 2010, for which a full valuation allowance is recorded.

## **Net Loss**

For 2010, the Company posted a net loss of \$56.4 million as compared to a net loss of \$14.4 million in 2009 and \$92.8 million in 2008. The significant increase in net loss for the year ended December 31, 2010 in comparison to 2009 is mainly due to:

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Gross margin compression resulting from raw material cost increases;

- 

A change in the valuation allowance of future tax assets of \$37.8 million, which included a \$31.9 million increase in the fourth quarter with respect to the US jurisdiction;

- 

Facility closure costs of \$8.1 million, including \$7.4 million related to the Brantford, Ontario manufacturing facility closure; and

- 

Asset impairments of \$4.0 million, including \$3.9 million related to the lumber film automatic wrapping machines and related assets.

The Company reported a net loss of \$43.4 million for the fourth quarter of 2010 as compared to a net loss of \$8.5 million for the fourth quarter of 2009. The increase in the net loss for the fourth quarter of 2010 compared to the fourth quarter of 2009 was primarily due to a change in the valuation of future tax assets, facility closure costs, and an impairment charge related to the lumber film automatic wrapping machines and related assets amounting to \$32.7 million (\$31.9 million with respect to the US jurisdiction and \$0.8 million with respect to the Canadian tax audit), \$8.1 million and \$3.9 million, respectively.

Adjusted net earnings, a non-GAAP financial measure (see table set forth on page 7) amounted to a net loss of \$43.7 million for 2010, a net loss of \$13.2 million for 2009, and a net loss of \$3.1 million for 2008. The Company is including adjusted net



earnings here because it believes that adjusted net earnings provides a better comparison of results for the periods presented since it does not take into account impairment of goodwill, impairment of long-lived assets, unprecedented gross margin compression, refinancing expense and manufacturing facility closure, restructuring, and other costs in each period.

Adjusted net earnings does not have any standardized meaning prescribed by GAAP in Canada or the United States and is therefore unlikely to be comparable to similar measures presented by other issuers. A reconciliation of adjusted net earnings to net earnings, being the most comparable measurement under GAAP, is set forth on page 7. The reader is encouraged to review this reconciliation.

Net earnings reported in accordance with Canadian GAAP conforms in all material respects to amounts that would have to be reported had the consolidated financial statements been prepared in accordance with US GAAP, with the exception that US GAAP does not permit recognition of foreign exchange gains or losses as a result of a partial reduction in investment in foreign self-sustaining operations. Consequently, in accordance with US GAAP, net earnings in 2010 would be a net loss of approximately \$56.4 million, a net loss of approximately \$14.5 million in 2009, and a net loss of \$93.7 million in 2008.

### **Loss per Share**

Basic and diluted net earnings per share reported in accordance with Canadian GAAP conform in all material respects to amounts that would have been reported had the consolidated financial statements been prepared in accordance with US GAAP, with the exception that US GAAP does not permit recognition of foreign exchange gains or losses as a result of a partial reduction in investments in foreign self-sustaining operations. Consequently, in accordance with US GAAP, basic and diluted loss per share would be \$0.96 in 2010, compared to basic and diluted loss per share of \$0.25 in 2009 and \$1.59 in 2008.

The Company reported a loss per share of \$0.96 both basic and diluted for 2010 as compared to a loss per share of \$0.24 both basic and diluted for 2009. The 2009 loss per share compares to a loss per share of \$1.57 both basic and diluted for 2008. The weighted-average number of common shares outstanding for the purpose of the basic and diluted earnings per share calculations was 59.0 million for 2010, 59.0 million for 2009 and 59.0 million for 2008.

The adjusted earnings per share (see table on page 7) for 2010 was a loss per share of \$0.74 both basic and diluted compared to a loss per share of \$0.22 both basic and diluted for 2009, and a loss per share of \$0.05 both basic and diluted for 2008.

### **Comprehensive Income (Loss)**

Comprehensive income is comprised of net earnings and other comprehensive income. For the years ended December 31, 2010, 2009 and 2008, the Company reported a comprehensive loss of \$51.9 million, income of \$3.5 million and loss of \$127.7 million, respectively. The unfavourable change is mainly attributable to the change in valuation of future tax assets and continued strengthening of the Canadian dollar relative to the U.S. dollar in 2010.

### **Results of Operations by Division**

As a result of the Company's structural, operational, management and reporting realignments during the third quarter of 2010, the Company is no longer required to present operating results at a divisional level. However, in the interest of reporting consistency, the divisional results discussion is included hereinafter.

### **Results of Operations - Tapes and Films Division**

Sales for 2010 were \$597.6 million, an increase of 16.5% compared to \$512.8 million for 2009. Sales for 2009 were \$512.8 million, a decrease of 13.4% compared to \$592.2 million for 2008. The T&F Division had a sales volume increase of approximately 10% for 2010 and a decrease of approximately 5% for 2009. The remainder of the sales increase in 2010 was largely attributable to selling prices which were approximately 6% higher due to an increase in the costs of resin-based, adhesive and paper raw materials. The sales volume increase in 2010 was across most product lines.

Sales grew sequentially in the second and third quarters of 2010 and decreased in the fourth quarter of 2010 due to historical seasonality and fewer business days.

Sales in the fourth quarter of 2010 totalled \$149.5 million, a 10.5% increase from sales in the fourth quarter of 2009 of \$135.3 million. Sales volume increased approximately 2% during the fourth quarter of 2010 compared to the prior year. The remainder of the sales increase in the fourth quarter of 2010 was largely attributable to selling prices which were approximately 9% higher than the fourth quarter of 2009. The increase in sales volume was across most product lines.

Gross profit totalled \$74.8 million in 2010, a decrease of 2.3% from 2009 gross profit of \$76.5 million. Gross profit totalled \$76.5 million in 2009, an increase of 13.5% from \$67.4 million in 2008. Gross profit represented 12.5% of sales in 2010, 14.9% in 2009, and 11.4% in 2008. The decrease in both gross profit and gross margin was primarily due to higher resin-based, adhesive and paper raw material costs partially offset by higher volume, higher selling prices, manufacturing cost reduction initiatives and sale of new products. While the Company was successful in recovering a portion of the higher raw material costs through selling price increases during the year, the increase did not begin to equal the cost increases until the fourth quarter.

Gross profit for the fourth quarter of 2010 totalled \$20.3 million at a gross margin of 13.6% compared to \$18.8 million at a gross margin of 13.9% for the fourth quarter of 2009. The gross margin for the fourth quarter remained relatively flat year over year and improved from the third quarter of 2010 due to price increases that partially offset the prior increases in costs of resin-based, adhesive and paper raw material costs.

#### T&F DIVISION ADJUSTED EBITDA RECONCILIATION TO NET EARNINGS

(in millions of US dollars)

(unaudited)

|   | Three months ended |      | Year ended   |      |      |
|---|--------------------|------|--------------|------|------|
|   | December 31,       |      | December 31, |      |      |
|   | 2010               | 2009 | 2010         | 2009 | 2008 |
|   | \$                 | \$   | \$           | \$   | \$   |
| Divisional earnings before income taxes | 4.0                | 1.8  | 11.6         | 16.0 | 8.7  |
| Depreciation and amortization           | 7.2                | 7.6  | 28.8         | 29.8 | 29.4 |
| EBITDA                                  | 11.1               | 9.4  | 40.4         | 45.8 | 38.1 |
| Gross margin compression                |                    |      |              |      | 13.9 |
| Adjusted EBITDA                         | 11.1               | 9.4  | 40.4         | 45.8 | 52.0 |

Adjusted EBITDA for the T&F Division for 2010, 2009 and 2008 was \$40.4 million, \$45.8 million and \$52.0 million, respectively. The decrease in Adjusted EBITDA from 2009 to 2010 was primarily attributable to the decrease in gross margin as discussed above. The T&F Division's Adjusted EBITDA for the fourth quarter of 2010 was \$11.1 million compared to \$9.4 million for the fourth quarter of 2009. The increase in Adjusted EBITDA in the fourth quarter of 2010 compared to the fourth quarter of 2009 is primarily the result of an increase in sales.

### **Results of Operations - ECP Division**

Sales totalled \$123.0 million compared to \$102.6 million for 2009, a 19.8% increase. Sales volume for 2010 increased approximately 2% compared to 2009. The remainder of the increase was largely attributable to selling prices, which were approximately 18% higher due to higher costs of resin-based raw materials. Sales for the fourth quarter were \$30.6 million, representing a 20.0% increase compared to \$25.5 million for the fourth quarter of 2009. Sales volume declined approximately 3% and selling prices increased approximately 23% when compared to the fourth quarter of 2009. Higher costs for resin-based raw materials were the primary reason for the selling price increases.

Gross profit totalled \$4.8 million in 2010, a decrease of 25.0% from 2009 gross profit of \$6.4 million. Gross profit totalled \$6.4 million in 2009, a decrease of 40.7% from \$10.9 million in 2008. Gross profit was 3.9% of sales in 2010, 6.3% in 2009, and 7.5% in 2008. The decrease in both gross profit and gross margin for 2010 was due to asset impairment charges of \$4.0 million,

including \$3.9 million related to the lumber film automatic wrapping machines and related assets, which was partially offset by higher sales and gross margin excluding the impairments.

Gross profit for the fourth quarter of 2010 was negative \$1.2 million at a gross margin of negative 4.0% compared to \$1.4 million at a gross margin of 5.5% for the fourth quarter of 2009. The decrease in both gross profit and gross margin for the fourth quarter was due to the \$3.9 million impairment charge for the lumber film automatic wrapping machines and related assets, which was largely offset by higher sales and gross margin excluding the impairment.

#### ECP DIVISION ADJUSTED EBITDA RECONCILIATION TO NET LOSS

(in millions of US dollars)

(unaudited)

|  | Three months ended |       | Year ended   |       |       |
|--|--------------------|-------|--------------|-------|-------|
|  | December 31,       |       | December 31, |       |       |
|  | 2010               | 2009  | 2010         | 2009  | 2008  |
|  | \$                 | \$    | \$           | \$    | \$    |
| Divisional loss before income taxes                              | (12.7)             | (3.9) | (17.0)       | (7.2) | (2.8) |
| Depreciation and amortization                                    | 1.7                | 2.0   | 7.6          | 6.6   | 6.4   |
| EBITDA   | (11.0)             | (1.9) | (9.4)        | (0.6) | 3.6   |
| Manufacturing facility closures, restructuring and other charges | 8.1                | 1.1   | 8.1          | 1.1   |       |
| Impairment of long-lived assets and other assets                 | 3.9                |       | 4.0          | 0.1   |       |
| Gross margin compression   |                    |       |              |       | 2.7   |
| Adjusted EBITDA  | 1.0                | (0.8) | 2.7          | 0.6   | 6.3   |

Adjusted EBITDA for the ECP Division for 2010, 2009 and 2008 was \$2.7 million, \$0.6 million, and \$6.3 million, respectively. The increase in Adjusted EBITDA from 2009 to 2010 is due to higher gross profit, excluding the impairments, as described above. The ECP Division's Adjusted EBITDA for the fourth quarter of 2010 was \$1.0 million compared to negative \$0.8 million for the fourth quarter of 2009. The increase in Adjusted EBITDA from the fourth quarter of 2009 to the fourth quarter of 2010 is due to higher gross profit, excluding the impairment, as described above.

#### Results of Operations - Corporate

The Company does not allocate the manufacturing facilities closure, restructuring, strategic alternatives or other charges to the two Divisions. These expenses are retained at the corporate level unless they originate within one of the divisions. Stock-based compensation financial expenses and the cost of being a public company are also retained at the corporate level. The unallocated corporate expenses for the three years ended December 31, 2010, 2009, and 2008 totalled \$2.4 million, \$2.9 million, and \$2.6 million, respectively.

### **Off-Balance Sheet Arrangements**

The Company maintains no off-balance sheet arrangements except for the interest rate swap agreements, forward foreign exchange contracts and letters of credit issued and outstanding discussed in the sections herein entitled *Currency Risk* and *Bank Indebtedness and Credit Facilities* and in Notes 12 and 20 to the Company's consolidated financial statements.

### **Related Party Transactions**

In 2010, the Company entered into agreements with companies controlled by two of the current members of the Board of Directors. These agreements replaced the advisory services agreements noted below that expired on December 31, 2009. These agreements require the provision of support services that include the duties of Executive Director and Chairman of the Board and qualify as related party transactions in the normal course of operations, which are measured at the exchange amount.

The Executive Director support services agreement was effective from January 1, 2010 through September 30, 2010 and provided for monthly compensation in the amount of \$50,000. This agreement expired on September 30, 2010 and was not replaced. The Chairman of the Board support services agreement is effective from January 1, 2010 through the earlier of June 30, 2011 or the termination of Mr. Eric Baker's services as Chairman of the Board and provides for monthly compensation in the amount of CDN\$25,000. These amounts are in lieu of the fees otherwise paid to Directors for their services.

During the year ended December 31, 2007, the Company entered into three advisory services agreements, two with companies controlled by two current members of the Board of Directors and one with a company controlled by a former senior officer of the Company. The advisory services included business planning and corporate finance activities and qualified as related party transactions in the normal course of operations, which are measured at the exchange amount. Effective December 31, 2008, the Company terminated the advisory service agreement with the company controlled by one of its former senior officers.

The agreements with the companies controlled by the two current members of the Board of Directors were effective through December 31, 2009. The agreements provided for monthly compensation beginning January 2008 in the amounts of \$75,000 and CDN\$100,000 per month for a minimum of at least three months. Beginning April 1, 2008, the Company's financial commitment relating to the services of two of the three companies was \$50,000 and CDN\$100,000 per month and remained in effect through December 31, 2009. Effective November 2008, the companies controlled by the two current members of the Board of Directors each agreed to a 10% reduction in their monthly compensation. This reduction in compensation continued through November 2009.

In connection with these agreements, the Company recorded a charge amounting to approximately \$0.8 million (\$1.7 million in 2009, \$2.1 million in 2008) in its consolidated earnings for the year ended December 31, 2010 included under the caption selling, general and administrative expenses.

The advisory services agreements also provided for an aggregate performance fee payable on July 1, 2010 based on the difference between the average price of the Company's common shares for the ten trading days prior to July 1, 2010 on the TSX (the Average Price) and the Canadian offering price included in the Company's 2007 rights offering of CDN\$3.61 multiplied by an aggregate of 2.2 million, provided that the Average Price exceeds CDN\$4.76. This provision survived the expiration of the term of the agreements until July 1, 2010. The average stock price for the ten trading days prior to July 1, 2010 did not exceed CDN\$4.76 therefore no performance fee was paid.

## **Liquidity and Capital Resources**

## Cash Flow

Cash flows from operations before changes in working capital items decreased in 2010 by \$1.6 million to \$25.4 million from \$27.0 million in 2009. Cash flows from operations before changes in working capital items increased in 2009 by \$1.9 million to \$27.0 million from \$25.1 million in 2008. The decrease was due to lower profitability before non-cash items as discussed above. Cash flows from operations before changes in working capital items for the fourth quarter of 2010 was \$6.6 million compared to \$3.5 million for the fourth quarter of 2009. The increase was due to the increase in profitability before adjustments related to non-cash items as discussed above.

In 2010, the Company generated cash flows from operating activities of \$12.0 million compared to cash flows from operating activities of \$34.9 million in 2009. In 2008, the Company generated cash flows from operating activities of \$20.8 million. The Company generated cash flows from operating activities in the fourth quarter of 2010 of \$5.4 million compared to \$24.5 million for the fourth quarter of 2009. An increase in cash flows from operations before changes in working capital items of \$3.1 million was offset by an increase in cash used for working capital of \$22.3 million. The increase in cash used for working capital was primarily due to accounts payable increasing in the fourth quarter of 2009 as compared to a decrease in in the fourth quarter of 2010. This change was mainly due to the timing of payments made by the Company in order to obtain early payment discounts.

In 2010, changes in working capital items resulted in \$13.3 million in net cash usage which was largely due to increased sales and gross margin compression. The most significant use of cash was an increase in inventories of \$15.2 million. The most significant source of cash was a \$15.8 million increase in accounts payable and accrued liabilities. Changes in working capital



items resulted in \$1.2 million in net cash usage in the fourth quarter of 2010. During the fourth quarter, trade accounts receivable provided \$11.8 million of cash, inventories used \$1.8 million of cash and accounts payable and accrued liabilities used \$11.0 million of cash. There are changes in non-cash working capital items between the balance sheet dates that are not reflected in the cash flows. These changes are the impact of foreign currency translation adjustments between balance sheet dates and do not have an impact on changes in working capital items presented in the consolidated cash flows statements.

In 2009, non-cash working capital items used \$7.9 million in net cash flow. An increase in inventory used \$16.3 million in net cash flow, \$3.2 million was used by trade receivables, and \$11.7 million was provided by an increase in accounts payable and accrued liabilities.

Cash used in investing activities was \$15.5 million for 2010 as compared to \$12.9 million for 2009 and \$21.8 million for 2008. These investing activities include a use of funds for property, plant and equipment of \$8.6 million for 2010, \$13.1 million for 2009 and \$21.0 million for 2008. Other assets used \$2.9 million during 2010, and provided \$0.1 million during 2009 and \$0.8 million in 2008. Cash flows used in investing activities was \$6.6 million for the fourth quarter of 2010 as compared to \$3.2 million for the fourth quarter of 2009, an increase of \$3.4 million.

Cash flows provided by financing activities totalled \$4.0 million in 2010 due to an increase in long-term debt under the ABL. Cash flows from financing activities used \$34.3 million in 2009 compared to \$2.4 million provided in 2008.

Free cash flow, a non-GAAP measurement that is defined by the Company as cash flows from operating activities less property, plant and equipment expenditures was \$3.4 million in 2010, compared to \$21.8 million in 2009. The decrease in free cash flow in 2010 was primarily the result of additional cash tied up in inventory and other working capital items. Free cash flow was \$21.8 million in 2009, an increase of \$22.0 million from negative \$0.2 million in 2008. The Company is including free cash flow because it is used by Management and investors in evaluating the Company's performance and liquidity. Free cash flow does not have any standardized meaning prescribed by GAAP in Canada or the in United States and is therefore unlikely to be comparable to similar measures presented by other issuers. A reconciliation of free cash flow to cash flow from operating activities, the most directly comparable GAAP measure, is set forth below. The reader is encouraged to review this reconciliation.

#### FREE CASH FLOW RECONCILIATION

(In millions of US dollars)

| 2010 | 2009 | 2008 |
|------|------|------|
| \$   | \$   | \$   |

|                                      |      |      |       |
|--------------------------------------|------|------|-------|
| Cash Flows From Operating Activities | 12.0 | 34.9 | 20.8  |
| Less: Capital Expenditures           | 8.6  | 13.1 | 21.0  |
| Free Cash Flow                       | 3.4  | 21.8 | (0.2) |

### Working Capital

As of December 31, 2010, working capital stood at \$128.0 million, as compared to \$122.3 million as of December 31, 2009. The increase of \$5.7 million was primarily due to increased sales.

Quick assets, which are the Company's total current assets excluding prepaid expenses, derivative financial instruments, assets held for sale, and future income taxes, increased by \$32.6 million during 2010 to a level of \$207.7 million, and decreased by \$24.8 million during 2009 to a level of \$175.1 million. The 2010 increase was primarily due to the increase of cash, trade accounts receivable and inventories. The 2009 decrease was primarily due to the decline in trade accounts receivables and inventories.

The Company's cash liquidity is influenced by several factors, the most significant of which are the Company's profitability and its level of inventory. Historically, the Company has periodically increased its inventory levels when business conditions suggest that it is in the Company's best interest to do so, such as the buying opportunities the Company took advantage of in the fourth quarter of 2009 and 2007 to mitigate the impact of rising raw material costs. The Company expects to continue this practice when circumstances suggest that it is appropriate and when the Company believes it has adequate cash and credit availability to support such strategies. A significant amount of working capital is also held in trade receivables.

One of the metrics the Company uses to measure inventory performance is Days Inventory. One of the metrics the Company uses to measure trade receivables is Days Sales Outstanding ( DSO s ). Days Inventory improved in the fourth quarter of 2010 as compared to the fourth quarter of 2009. DSO s increased in the fourth quarter of 2010 as compared to the fourth quarter of 2009 primarily due to an increase in the mix of sales through the consumer channel. The calculations are shown in the following tables:

|                               | For the Quarter Ended<br>December 31 |       |                   | For the Quarter Ended<br>December 31 |       |
|-------------------------------|--------------------------------------|-------|-------------------|--------------------------------------|-------|
|                               | 2010                                 | 2009  |                   | 2010                                 | 2009  |
|                               | \$                                   | \$    |                   | \$                                   | \$    |
| Cost of Goods Sold            | 161.0                                | 140.6 | Sales             | 180.1                                | 160.8 |
| Days in Quarter               | 92                                   | 92    | Days in Quarter   | 92                                   | 92    |
| Cost of Goods Sold Per<br>Day | 1.75                                 | 1.53  | Sales Per Day     | 1.96                                 | 1.75  |
| Average Inventories           | 91.9                                 | 80.8  | Trade Receivables | 86.5                                 | 74.2  |
| Days Inventory                | 52                                   | 53    | DSO s             | 44                                   | 42    |

Days Inventory is calculated as follows:

$$\text{Cost of Goods Sold} \div \text{Days in Quarter} = \text{Cost of Goods Sold Per Day}$$

$$(\text{Beginning Inventory} + \text{Ending Inventory}) \div 2 = \text{Average Inventory}$$

$$\text{Average inventory} \div \text{Cost of Goods Sold Per Day} = \text{Days Inventory}$$

DSO s is calculated as follows:

$$\text{Sales} \div \text{Days in Quarter} = \text{Sales Per Day}$$

$$\text{Ending Balance of Trade Receivables} \div \text{Sales Per Day} = \text{DSO s}$$

## Financial Risk Management, Objectives and Policies

The Company is exposed to various financial risks including: foreign exchange risk, interest rate risk, credit risk, liquidity risk and price risk resulting from its operations and business activities. The Company's management is responsible for setting acceptable levels of risks and reviewing management activities as necessary.

The Company does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

This MD&A includes the significant highlights, events and transactions which have taken place in the course of the years ended December 31, 2010, 2009 and 2008 with respect to the Company's financial risks and management thereof. For a complete discussion of the Company's financial risks, management policies and procedures and objectives, please refer to Note 20 to the Consolidated Financial Statements as of and for the year ended December 31, 2010.

In 2010, in accordance with the Company's foreign exchange rate risk policy, the Company executed a series of 8 monthly forward foreign exchange rate contracts to purchase an aggregate CAD\$10.0 million beginning in February 2011, at fixed exchange rates ranging from CAD\$1.0260 to CAD\$1.0318 to the US dollar; a series of 6 monthly forward foreign exchange rate contracts to purchase an aggregate CAD\$13.5 million beginning in August 2011, at fixed exchange rates ranging from CAD\$1.0173 to CAD\$1.0223 to the US dollar; and a series of 13 monthly forward foreign exchange rate contracts to purchase an aggregate CAD\$20.0 million beginning in July 2010, at fixed exchange rates ranging from CAD\$1.0610 to CAD\$1.0636 to the US dollar. These forward foreign exchange rate contracts will mitigate foreign exchange rate risk associated with a portion of anticipated monthly inventory purchases of the Company's US self-sustaining foreign operations that are to be settled in Canadian dollars. The Company designated these forward foreign exchange rate contracts as cash flow hedges, effectively mitigating the cash flow risk associated with the settlement of the inventory purchases.

Finally, in 2010, the Company executed a series of 12 monthly forward foreign exchange rate contracts to purchase an aggregate USD\$2.0 million beginning in August 2010, at fixed exchange rates ranging from USD\$1.1870 to USD\$1.1923 to the Euro. These forward foreign exchange rate contracts comply with management's foreign exchange risk policy whereby these forward foreign exchange rate contracts will mitigate the foreign exchange rate risk associated with the Company's translation of foreign generated Euro denominated net earnings. However, these forward foreign exchange rate contracts do not comply with the requirements for hedge accounting and thus have not been designated as such.

In 2009, the Company executed a series of 12 monthly forward foreign exchange rate contracts to purchase an aggregate CAD\$20.0 million beginning in February 2010, at fixed exchange rates ranging from CAD\$1.0934 to CAD\$1.0952 to the US dollar. The Company designated these forward foreign exchange rate contracts as cash flow hedges.

In 2008, the Company executed a series of 36 monthly forward foreign exchange rate contracts to purchase an aggregate CAD\$40.0 million beginning in February 2009, at fixed exchange rates ranging from CAD\$1.1826 to CAD\$1.2808 to the US dollar. The Company designated these forward foreign exchange rate contracts as cash flow hedges.

The Company is exposed to a risk of change in cash flows due to the fluctuations in interest rates applicable on its variable rate ABL. Accordingly, in order to mitigate this risk, in 2008, the Company entered into two interest rate swap agreements designated as cash flow hedges. The terms of these Agreements are as follows:

|                                      | Notional<br>amount<br>\$ | Settlement | Fixed interest<br>rate paid<br>% |
|--------------------------------------|--------------------------|------------|----------------------------------|
| Agreement maturing in September 2011 | 40,000,000               | Monthly    | 3.35                             |
| Agreement matured in October 2009    | 30,000,000               | Monthly    | 2.89                             |

### Capital Expenditures

Total expenditures in connection with property, plant and equipment were \$8.6 million, \$13.1 million and \$21.0 million for the years 2010, 2009 and 2008, respectively.

Based on current volume and anticipated market demand, the Company believes it has sufficient capacity available to accommodate increases in volumes in most products without additional capital expenditures. In addition, the Company believes that it is positioned to take advantage of opportunities that may arise to grow its market share in existing products, expand its product offerings and expand its markets.

### **Long-Term Debt and Financial Derivatives**

As discussed under the section **Liquidity**, on March 27, 2008 the Company successfully refinanced its Facility with a \$200.0 million ABL entered into with a syndicate of financial institutions. The amount of borrowings available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is determined by calculating a percentage of eligible trade accounts receivable, inventories and machinery and equipment. As of December 31, 2010, the Company had borrowed \$97.5 million under its ABL, including \$9.5 million in letters of credit. As of December 31, 2009, \$88.0 million had been borrowed, including \$2.6 million in letters of credit. When combined with cash and cash equivalents, the Company had total cash and credit availability of \$43.0 million as of December 31, 2010 and \$45.1 million as of December 31, 2009. The decrease in total cash and credit availability between December 31, 2010 and December 31, 2009 included the requirement to post a \$13.2 million bond related to the ITI litigation. Total debt increased by \$4.0 million, from \$217.0 million as of December 31, 2009 to \$221.0 million as of December 31, 2010.

A focus on making only essential capital expenditures and managing working capital, combined with an increase in cash flows from operations before changes in working capital items, allowed the Company to limit the increase in debt to 1.8% despite an increase in sales of 17.1%, significant margin compression and the requirement to post a bond in connection with the ITI litigation. Capital expenditures decreased by 34.4% from \$13.1 million in 2009 to \$8.6 million in 2010. Cash flows from operations before changes in working capital items increased by 1.5% from \$27.0 million for the year 2009 to \$27.4 million for

the year 2010. Days Inventory improved from 53 days in the fourth quarter of 2009 to 52 days in the fourth quarter of 2010. DSO s increased from 42 days in the fourth quarter of 2009 to 44 days in the fourth quarter of 2010.

### Contractual Obligations

The Company s principal contractual obligations and commercial commitments relate to its outstanding debt and its operating lease obligations. The following table summarizes these obligations as of December 31, 2010:

| Contractual Obligations<br>(in millions of US dollars) | Payments Due by Period |                     |              |              |                  |
|--|------------------------|---------------------|--------------|--------------|------------------|
|  | Total                  | Less than<br>1 year | 1-3<br>years | 4-5<br>years | After 5<br>years |
|  | \$                     | \$                  | \$           | \$           | \$               |
| Long-Term Debt   | 217.5                  | 2.4                 | 94.1         | 119.6        | 1.4              |
| Capital Lease Obligations                              | 8.1                    | 0.8                 | 1.3          | 1.2          | 4.9              |
| Operating Lease Obligations                            | 8.1                    | 2.6                 | 4.4          | 1.1          |                  |
| Other Long-Term Liabilities                            | 1.5                    | 0.2                 |              | 1.3          |                  |
| Total  | 235.1                  | 5.9                 | 99.8         | 123.1        | 6.3              |

### Capital Stock and Dividends

As of March 23, 2011 there were 58,961,050 common shares of the Company outstanding.

During the year ended December 31, 2010, 825,000 stock options were granted and 10,000 stock options were exercised.

The Company announced a normal course issuer bid effective May 20, 2010. In connection with this normal course issuer bid, the Company is entitled to repurchase for cancellation up to 2,947,552 of its 58,951,050 common shares issued and outstanding, representing 5% of the Company s common shares issued and outstanding as of that date. The normal course issuer bid will expire in May 2011.

During the years ended December 31, 2010, 2009 and 2008, the Company's common shares repurchased for cancellation were insignificant. The Company believes that the purchase of its own common shares may, in appropriate circumstances, be a responsible investment of available funds on hand.

No dividends were declared on the Company's stock in 2010, 2009 or 2008.

### **Distribution Rights Purchase Agreement**

In August 2008, the Company acquired the exclusive North American rights to a pending patent with respect to an automatic wrapping system. The system is designed to automate the process of wrapping packages of up to 65 feet in length. The technology targets industries such as wood products, which are traditionally manually wrapped. Along with the distribution rights, the Company acquired wrapping machines and existing customer contracts for a total consideration of CDN\$5.5 million.

As part of acquiring the distribution rights, the Company also made future performance commitments, which required additional considerations or penalties if these commitments were not met. However, within the first two years of the purchase agreement, the automatic wrapping system had to achieve certain market acceptance parameters or the Company had the right to renegotiate the future performance commitments with the vendor and if such renegotiation was not concluded on terms satisfactory to the Company, then the future performance commitments would not be binding on the Company. The performance agreements have been amended, most recently on April 9, 2010. The Company's management determined that no additional



penalties will be incurred under these agreements because it continues to negotiate and develop remedies with the vendor in light of the adverse market acceptance of the wrapping system machines and related technology.

Circumstances have changed significantly related to the original customer contracts that were purchased in 2008 as well as the prospects for obtaining additional contracts. After evaluating the future prospects for this business, the Company has concluded that the future cash flows related to the automatic wrapping system are less than the book value of these assets. Accordingly, an asset impairment charge of \$3.9 million was recorded in cost of sales during the fourth quarter of 2010.

### **Pension and Post-Retirement Benefit Plans**

The Company's pension and post-retirement benefit plans currently have an unfunded deficit of \$22.8 million as of December 31, 2010 as compared to \$21.0 million at the end of 2009. For 2010 and 2009, the Company contributed \$4.7 million and \$3.4 million, respectively to its funded pension plans and to beneficiaries for its unfunded other benefit plans. The Company may need to divert certain of its resources in the future in order to resolve this funding deficit but expects to meet its pension benefit plan funding obligations in 2011 through cash flows from operations.

### **Critical Accounting Estimates**

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the consolidated balance sheet date and the recorded amounts of revenues and expenses during the year then ended. On an on-going basis, management reviews its estimates. Actual results may differ from those estimates.

Key areas of estimation, where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, are the allowance for doubtful accounts, the ability to use income tax losses and other future income tax assets, allowance for obsolete and slow moving inventories, net realizable value of inventories, useful lives of long-lived assets, the assumptions underlying the Company's pension and post-retirement benefits, stock-based compensation fair value model, accounting for asset retirement obligation, the assumptions inherent in the determination of certain accrued liabilities, the estimated future cash flows and projections in connection with the impairment tests of intangible assets and property, plant and equipment and accounting for contingencies.

Significant changes in the underlying assumptions could result in significant changes to these estimates.

The allowance for doubtful accounts is based on reserves for specific accounts which the Company believes may not be fully recoverable combined with an overall reserve reflective of the Company's historical bad debt experience and current economic conditions.

Establishing and updating the reserve for obsolete and slow moving inventories starts with an evaluation of the inventory on hand as compared to historical and expected future sales of the products. For items identified as slow-moving or unmarketable, the cost of products is compared with their estimated net realizable value and a valuation reserve is established when the cost exceeds the estimated net realizable value.

The Company assesses the recoverability of its long-lived assets using projected future undiscounted cash flows and comparing those cash flows to the net book value of these assets when changes in events and circumstances indicate a possible impairment of certain assets or group of assets.

In assessing the realizability of future income tax assets, the Company's management considers whether it is more likely than not that some portion or all of the future income tax assets will not be realized. The Company's management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

## **International Financial Reporting Standards ( IFRS )**

In 2008, the Canadian Accounting Standards Board ( AcSB ) announced that, as of January 1, 2011, publicly-accountable enterprises will be required to adopt IFRS. Accordingly, the Company will adopt these new standards during its fiscal year beginning on January 1, 2011. When the Company publishes its first IFRS interim consolidated financial statements, it will be required to provide comparative IFRS information for the previous fiscal year. The Transition Date for providing comparative information for the Company is January 1, 2010.

The Company's IFRS transition process has consisted of the following four principle phases:

- 1- Preliminary Assessment and Planning
- 2- Detailed Evaluation
- 3- Definition of the Solution
- 4- Implementation

The Company has completed phase three and is in the process of finalizing the implementation phase. The Company's first consolidated financial statements prepared in accordance with IFRS will be its interim unaudited consolidated financial statements as of March 31, 2011 and the three-month period then ending.

## **IFRS ADOPTION**

Set forth below are the IFRS 1, *First-Time adoption of International Financial Reporting Standards*, optional exemptions and mandatory exceptions we expect to use when converting to IFRS.

### **IFRS Optional Exemptions**

1

Business Combinations

IFRS 1 provides the option to apply IFRS 3, *Business Combinations*, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to its Transition Date and, accordingly, such business combinations have not been restated.

2

#### Employee Benefits

IFRS 1 permits first-time adopters to retrospectively recognize all cumulative actuarial gains and losses deferred under in opening retained earnings at the Transition Date. The Company elected to recognize all cumulative actuarial gains and losses that existed at its Transition Date in opening deficit for all of its employee benefit plans.

3

#### Cumulative Translation Differences

Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with International Accounting Standards ( IAS ) 21, *The Effects of Changes in Foreign Exchange Rates*, from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at Transition Date. The Company elected to reset all cumulative translation gains and losses to zero in opening deficit as of the Transition Date.

4

#### Share-Based Payments

IFRS 2, *Share-Based Payments*, encourages, but does not require application of its provisions to equity instruments granted on or before November 7, 2002, and to any equity instruments granted after November 7, 2002 that had vested by the Transition Date. The Company elected to avail itself of the exemption and applied IFRS 2 only to those equity instruments granted after November 7, 2002 and had not vested by the Transition Date. Further, the Company applied IFRS 2 to all liabilities arising from share-based payment transactions that existed at the Transition Date.

5

#### Borrowing Costs

IAS 23, *Borrowing Costs*, requires an entity to capitalize the borrowing costs related to all qualifying assets for which the commencement date for capitalization is on or after the Transition Date. The Company elected to prospectively apply the provisions of IAS 23 for qualifying assets whose commencement date for capitalization is subsequent to the Transition Date. Therefore, borrowing costs incurred prior to January 1, 2010 have been expensed.

6

#### Changes in Existing Decommissioning, Restoration and Similar Liabilities Included in the Cost of Property, Plant and Equipment

For changes in existing decommissioning, restoration and similar liabilities that occurred before the Transition date, IFRS 1 provides the option to not comply with the requirements of International Financial Reporting Interpretations Committee ( IFRIC ) 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. The Company elected to not retrospectively recognize year by year changes to liabilities under IFRIC 1 that occurred before the Transition Date. Therefore, the Company measured the obligation as of the Transition Date and recalculated the current net book value of the related asset using the current value of the obligation, and the current discount rate.

7

#### Assets and Liabilities of Subsidiaries

IFRS 1 mandates that when a subsidiary adopts IFRS before the parent, the parent is required to record the assets and liabilities of the subsidiary at the same carrying amount as in the financial statements of the subsidiary. Since one of our subsidiaries has already adopted IFRS, we will elect this exemption and measure the assets and liabilities of the subsidiary at the same carrying amounts as in the financial statements of the subsidiary, after adjusting for consolidation adjustments and for the effects of the business combination in which the parent company acquired the subsidiary.

8

## Fair Value as Deemed Cost

IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. We will continue to apply the cost model for property, plant and equipment and will not restate property, plant and equipment to fair value under IFRS.

## IFRS Mandatory Exceptions

1.

### Hedge Accounting

Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39, *Financial Instruments: Recognition and Measurement*, at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of the Transition Date are reflected as hedges in the Company's results under IFRS. Any derivatives not meeting the IAS 39 criteria for hedge accounting were fair valued and recorded in the statement of financial position as a non-hedging derivative financial instrument.

2.

### Estimates

The estimates established by the Company in accordance with IFRS at the date of transition are consistent with estimates made for the same date in accordance with GAAP, after adjustments to reflect any difference in applicable accounting principles.

## Significant Changes in Accounting Policies upon Conversion to IFRS

We have identified several differences between IFRS and GAAP accounting policies. Some of the more significant ones at present, as they relate to the Company, are listed in the table below:

Comparison between GAAP and IFRS

Standards

Preliminary Findings to date

|  |   |   |
|--|---|---|
| Borrowing Costs (IAS 23)               | <p>GAAP: Borrowing costs may be capitalized on major projects.</p> <p>IFRS: Capitalization of borrowing costs is required on qualifying assets, which are assets that require an extended period of preparation before they are usable or saleable.</p>   | <p>Although the Company has capitalized borrowing costs for several years, this was not always done consistently in a manner compliant with IFRS. Upon transition, the Company will utilize the exemption available under IFRS 1 and will recognize approximately \$5.8 million in previously capitalized borrowing costs in opening deficit.</p>   |
| Property, Plant and Equipment (IAS 16) | <p>GAAP: Component accounting</p> <p>IFRS: Requires that each part of property, plant and equipment that has a cost which is significant in relation to the asset, and whose useful life is different than the asset, must be depreciated separately from the asset.</p> <p>Also, under IFRS assets continue to be depreciated even if they are no longer in use, whereas under GAAP depreciation is suspended when an asset is not being used.</p> | <p>Upon adoption of IFRS, the Company plans to identify certain additional significant parts of an asset with different useful lives and depreciate them separately. Upon transition, the net impact of approximately \$4.3 million will be recognized in opening deficit.</p>  |
| Employee benefits (IAS 19)             | <p>GAAP: The Company currently uses the corridor method which permits the recognition of amortized actuarial gains or losses on a consistent basis over time.</p> <p>IFRS: Permits the use of the corridor method.</p>  | <p>Upon adoption of IFRS, the Company will start recognizing actuarial gains and losses immediately in a separate statement of comprehensive income without recycling to the income statement in subsequent periods. As a result, actuarial gains and losses will not be amortized to the income statement but rather will be recorded directly in other comprehensive income (loss) of each period. At the Date of Transition, the unrecognized actuarial gains and losses of approximately \$21.6 million will be</p> |



|   |   |  |
|---|---|--|
| <p>The Effect of Changes in Foreign Exchange Rates (IAS 21)</p> | <p>GAAP: Cumulative translation differences are recorded in other comprehensive income.</p>   | <p>recognized in opening deficit.<br/>At the date of transition to IFRS, and as permitted by the optional exemption available under IFRS 1, the Company will transfer to opening deficit the balance of the cumulative translation adjustment account of approximately \$51.0 million.</p> |
|   | <p>IFRS: Similar to GAAP, IFRS requires that certain exchange gains and losses are to be recognized in other comprehensive income (loss).</p>                                       |  |
| <p>Share Based Compensation (IFRS 2)</p>                        | <p>GAAP: For grants of share-based awards with graded vesting, the total fair value of the award was recognized on a straight line basis over the employment period.</p>            | <p>Upon adoption of IFRS, the Company will use the exemption permitted under IFRS 2, and apply graded vesting to all unvested stock options issued after November 7, 2002.</p>   |
|   | <p>IFRS: Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value, with each grant accounted for on that basis.</p> |  |

Impairment of Assets (IAS 36)

GAAP: Impairment testing for long-lived assets is required whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment testing is initially performed using undiscounted cash flows from an asset or group of assets. If the undiscounted cash flows exceed the carrying amount, no further testing is performed.

Upon adoption of IFRS, the net effect of impairment testing under IFRS will result in the recognition of approximately \$17.0 to \$18.0 million in opening deficit.

IFRS: Impairment testing is required at each reporting date when there is any indication of impairment. Impairment tests are performed using discounted cash flows at the individual asset level, or if this cannot be done, for assets grouped into a Cash Generating Unit ( CGU ). In addition, IFRS, unlike GAAP, requires the reversal of an impairment loss in certain circumstances.

As the Company completes the transition process, additional changes may be identified or the above amounts may be refined.

### **Impact of Adoption of IFRS on our Company**

The conversion to IFRS will impact the way the Company presents financial results. We have obtained an understanding of IFRS from intensive training and reviewing reconciliations of historical GAAP financial statements. For the past year, we have conducted a number of meetings, seminars and conference calls communicating the changes required by IFRS to the relevant personnel within the Company. With respect to IT, we have made changes to the fixed asset system to permit componentization. With respect to internal and disclosure controls, we are adapting the existing controls to align them with the requirements of IFRS. With respect to business activities, we have not identified any required changes to contractual arrangements, currency management activities, debt covenants or compensation arrangements.

### **Disclosure Controls and Internal Control over Financing Reporting**

The Chief Executive Officer and Chief Financial Officer of the Company conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting as of December 31, 2010. They concluded based on such evaluation that, as of December 31, 2010 the Company maintained in all material respects, effective disclosure controls and procedures and internal control over financial reporting to ensure that material information regarding this MD&A and other required filings were made known to them on a timely basis.

The Chief Executive Officer and Chief Financial Officer have also reviewed whether any change in the Company's internal control over financial reporting occurred during 2010 that materially affected, or was reasonably likely to materially affect, the Company's internal control over financial reporting and concluded that there was none.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## **Additional Information**

Additional information relating to IPG, including its Annual Information Form, is filed on SEDAR at [www.sedar.com](http://www.sedar.com) in Canada and on EDGAR at [www.sec.gov](http://www.sec.gov) in the US.

## **Forward-Looking Statements**

Certain statements and information included in this Management's Discussion & Analysis constitute forward-looking information within the meaning of applicable Canadian securities legislation and the United States Federal Private Securities Litigation Reform Act of 1995.

Forward-looking statements may relate to the Company's future outlook and anticipated events, the Company's business, its operations, financial condition or results. Particularly, statements about the Company's objectives and strategies to achieve those objectives are forward looking statements. While these statements are based on certain factors and assumptions which management considers to be reasonable based on information currently available to it, they may prove to be incorrect. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied in such forward-looking statements. The risks include, but are not limited to, the factors contained in the Company's filings with the Canadian securities regulators and the U.S. Securities and Exchange Commission. While the Company may elect to, it is under no obligation (and expressly disclaims any such obligation) and does not undertake to update or alter this information at any particular time. This Management's Discussion & Analysis contains certain non-GAAP financial measures as defined under SEC rules, including adjusted net earnings, EBITDA, adjusted EBITDA, adjusted operating results and operating profit. The Company believes such non-GAAP financial measures improve the transparency of the Company's disclosures, provide a meaningful presentation of the Company's results from its core business operations, by excluding the impact of items not related to the Company's ongoing core business operations, and improve the period-to-period comparability of the Company's results from its core business operations. As required by SEC rules, the Company has provided reconciliations of those measures to the most directly comparable GAAP measures.

## **Item 6.**

### **Directors, Senior Management and Employees**

#### **A.**

**DIRECTORS AND SENIOR MANAGEMENT**

The following table sets forth the name, residence, position, and principal occupations for the last five (5) years of each Director of the Company as of the date hereof, as well as the date upon which each Director was first elected. Each Director is elected for a term of one year and may be nominated for re-election at the Company's following annual shareholders' meeting. The next annual shareholders' meeting is scheduled to be held on June 3, 2011, at which time the current term of each Director will expire.

| <b>Name and<br/>City of Residence</b> | <b>Position and Occupation</b>  | <b>First Year as<br/>Director</b> |
|---------------------------------------|---|-----------------------------------|
| Melbourne F. Yull                     | Director  | 1989-2006                         |
| Sarasota, Florida                     | Executive Director through June 8, 2010<br>June, 2006 - June, 2007 - Retired                          | 2007                              |
| Eric E. Baker                         | Prior thereto he was Chairman of the Board and CEO of the Company<br>Director - Chairman of the Board | 1989-2000                         |
| Long Sault, Ontario, Canada           | President, Altacap Investors Inc., a private equity manager   | 2007                              |
| Jorge N. Quintas                      | Director  | 2009                              |
| Porto, Portugal                       | President, Nelson Quintas SGPS, SA (manufacturer of electrical and telecommunication cables)          |                                   |
| George J. Bunze                       | Director  | 2007                              |
| Ile Bizard, Quebec, Canada            | Vice-Chairman, Kruger Inc., pulp and paper company  |                                   |

|                           |   |      |
|---------------------------|---|------|
| Torsten A. Schermer       | Director  | 2007 |
| Charlotte, North Carolina | President, MESC Corporation, franchise development company; May 2005 to December 2006, pursued investment opportunities in the tape industry, manufacturing and franchise; July 2004 to May 2005 was the General Manager, Eastern Europe, of Tesa Tape Kft; and prior to that was the President and Chief Executive Officer of Tesa Tape Inc. |      |
| Robert M. Beil            | Director  | 2007 |
| Phoenix, Arizona          | September 2006 Retired  |      |
|                           | Sales, Marketing, Business and Executive Management, the Dow Chemical Company, 1975 to September 2006   |      |
| Robert J. Foster          | Director  | 2010 |
| Toronto, Ontario          | President, Canada Limited (investment banking firm)   |      |
| Gregory A. Yull           | Director  | 2010 |
| Sarasota, Florida         | CEO and President of the Company since June 2010, President Tapes and Films Division of the Company, 2008 through 2010; prior to that served as Executive Vice President, Industrial Business Unit for Tapes and Films since November 2004  |      |

The following table sets forth the name, residence and position of each executive officer ( Named Executive Officers ) of the Company as of the date hereof, as well as the date upon which each Named Executive Officer was first elected:

| Name and City of  |                                  | First Elected |
|-------------------|----------------------------------|---------------|
| Residence         | Position and Occupation          | To Office     |
| Gregory A. Yull   | CEO & President                  | 2010          |
| Sarasota, Florida | President, Tapes & Films         | 2008          |
|                   | President, Distribution Products | 2005          |
| Bernard J. Pitz   | Chief Financial Officer          | 2009          |

|                         |   |      |
|-------------------------|---|------|
| Lakewood Ranch, Florida |   |      |
| Burgess H. Hildreth     | Senior Vice President, Administration     | 2010 |
|                         | Vice President, Human Resources           | 1998 |
| Sarasota, Florida       |   |      |
| Jim Bob Carpenter       | Sr. Vice President, ECP & Procurement     | 2010 |
|                         | President, ECP Division                   | 2008 |
| Sarasota, Florida       | Executive Vice President, Global Sourcing | 2004 |

The principal occupations of each Named Executive Officer for the last five (5) years is as follows:

**Gregory A. Yull** was appointed Chief Executive Officer and President on June 8, 2010. He was President, Tapes & Films, since 2008. Prior to that he was President, Distribution Products (Tapes & Films), since October, 2005. Prior to that he served as Executive Vice President, Industrial Business Unit (for tapes and films) since November 2004, and prior to that was President, Film Products, since June, 1999. Prior to that he was Products Manager - Films since 1995. Gregory A. Yull is a son of Melbourne F. Yull.

**Bernard J. Pitz** was appointed Chief Financial Officer on November 12, 2009. Prior to that he served as the Chief Financial Officer of SonoSite Inc. from May 2008 to October 2008, and also served as its Senior Vice President since May 2008. Prior to that he served as Vice President of Finance, Chief Financial Officer and Treasurer at Sybron Dental Specialties, Inc. since May 11, 2005.

**Burgess H. Hildreth** was appointed Senior Vice President Administration on August 15, 2010. He was Vice President, Human Resources, since October, 1998. Prior to that he had been the Vice President Administration of Anchor Continental, Inc.

**Jim Bob Carpenter** was appointed Senior Vice President ECP and Procurement on August 15, 2010. He was President, ECP Division since 2008. Prior to that he was Executive Vice President, Global Sourcing since January, 2005. Prior to that he served as the President, Woven Products (now ECP), since 1998 and prior to that, he was the General Manager of Polypropylene Resin Division of Fina Oil & Chemical Co.

## B.

### COMPENSATION

The following table sets forth the compensation paid, and benefits in kind granted, to the Company's Directors and Named Executive Officers for the last fiscal year for services in all capacities to the Company, including contingent and deferred compensation.

| 2010<br>Name and principal<br>position                       | Annual Compensation |       |                |                                | Long-Term<br>Compensation<br>Awards |      |
|--|---------------------|-------|----------------|--------------------------------|-------------------------------------|------|
|  | Salary              | Bonus | Other          | Director/<br>Committee<br>Fees | Number of options<br>granted        | GTL  |
|  |                     | \$    | \$             | \$                             |                                     | \$   |
| Melbourne F. Yull <sup>(1)</sup>                             | ---                 | ----  | 260,935<br>(2) | 8,500                          | 50,000                              | ---- |
| Director & Executive Officer<br>Eric E. Baker <sup>(3)</sup> | ---                 | ----  | ----           | ----                           | 50,000                              | ---- |
| Director, Chairman<br>George J. Bunze                        | ---                 | ----  | ----           | 91,500                         | 10,000                              | ---- |
| Director<br>Jorge N. Quintas                                 |                     | ----  | ----           | 59,000                         | 10,000                              | ---- |



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|   |         |        |                        |        |         |       |
|---|---------|--------|------------------------|--------|---------|-------|
| Director                                |         |        |                        |        |         |       |
| Torsten A. Schermer                     |         | ----   | ----                   | 84,500 | 10,000  | ----  |
| Director                                |         |        |                        |        |         |       |
| Robert M. Beil                          |         | ----   | ----                   | 71,500 | 10,000  | ----  |
| Director                                |         |        |                        |        |         |       |
| Robert J. Foster                        |         | ----   | ----                   | 46,500 | 30,000  | ----  |
| Director                                |         |        |                        |        |         |       |
| Gregory A. Yull                         | 418,317 | ----   | 2,904 <sup>(6)</sup>   | ----   | 350,000 | 919   |
| Director, CEO & President               |         |        |                        |        |         |       |
| Bernard J. Pitz <sup>(4)</sup>          | 360,000 | 49,315 | ----                   | ----   | ----    | 1,850 |
| Chief Financial Officer                 |         |        |                        |        |         |       |
| Jim Bob Carpenter                       | 306,123 | ----   | ----                   | ----   | 35,000  | 2,904 |
| Sr. Vice-President, ECP and Procurement |         |        |                        |        |         |       |
| Burgess H. Hildreth                     | 231,837 | ----   | 6,307 <sup>(6)</sup>   | ----   | 35,000  | 6,307 |
| Sr. Vice-President, Administration      |         |        |                        |        |         |       |
| Victor DiTommaso                        |         |        | 279,900 <sup>(5)</sup> |        |         |       |

(1)

Pursuant to the terms of that certain Support Services Agreement dated December 23, 2009, during 2010 the Company paid Sammana Group Inc., with which Melbourne F. Yull is affiliated, fees in the amount of US\$450,000.00. The Agreement expired September 10, 2010 and was not replaced.

(2)

Mr. Yull receives a pension from the Company (see Pension and Post-Retirement Benefit Plans subsection below).

(3)

Pursuant to the terms of that certain Support Services Agreement dated February 18, 2010, during 2010 the Company paid Altacap II Inc., the sole shareholder of which is Eric E. Baker, fees in the amount of CDN\$300,000.00.

(4)

Pursuant to the terms of that certain letter agreement dated October 30, 2009, the Company paid Bernard J. Pitz relocation costs in the amount of \$1,014,103.00, which included reimbursement of the loss on the sale of his home, relocation costs and the tax gross-up related to both items.

(5)

Mr. DiTommaso resigned from the position of Chief Financial Officer of the Company effective November 12, 2009. The above amount is severance payment.

(6)

Group Term Life Insurance

The Company maintains defined contribution pension plans in the United States and Canada. Each Named Executive Officer participates in the US Plan. The US Plan is a defined contribution pension plan and qualifies as a deferred salary arrangement under section 401(k) of the United States Internal Revenue Code. Under the US Plan, employees who have been employed for at least 90 days may defer a portion of their pre-tax earnings subject to statutory limitations. The Company may make discretionary contributions for the benefit of eligible employees. The US Plan permits eligible employees to choose how their account balances are invested on their behalf within a range of investment options provided by third-party fund managers. The following table sets out the Company's contributions to the pension plan and the accumulated value as at December 31, 2010 for each Named Executive Officer.

| Name                | Accumulated Value<br>at Start of Year | Compensatory<br>(\$) | Non-Compensatory<br>(\$) | Accumulated Value<br>at Year End<br>(\$) |
|---------------------|---------------------------------------|----------------------|--------------------------|--|
| Bernard J. Pitz     | -----<br>(\$)                         | -----<br>(\$)        | 15,230.82                | 16,434.20                                |
| Gregory A. Yull     | 221,181.91                            | -----<br>(\$)        | 22,841.46                | 121,959.91                               |
| Jim Bob Carpenter   | 206,751.49                            | -----<br>(\$)        | 31,475.34                | 262,518.29                               |
| Burgess H. Hildreth | 207,667.30                            | -----<br>(\$)        | 30,382.72                | 221,191.81                               |

### Total Cash Payments

Total cash payments for employee future benefits for 2010, consisting of cash contributed by the Company to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, cash contributed to its defined contribution plans and cash contributed to its multi-employer defined benefit plans, were \$4.7 million (\$3.4 million in 2009 and \$5.8 million in 2008).

### Executive Employment Contracts and Change of Control Agreements

The following agreements between the Company and Named Executive Officers were in effect at the end of the Company's most recently-completed financial year.

The Company entered into change of control agreements as of January 2001 with each of Messrs. Jim Bob Carpenter (Sr. Vice President, ECP and Procurement), Burgess Hildreth (Sr. Vice-President, Administration), and as of November 17, 2009 with Bernard J. Pitz (Chief Financial Officer). These agreements provide that if, within a period of six months after a change of control of the Company: (a) the executive voluntarily terminates his employment with

the Company; or (b) the Company terminates the executive's employment without cause, such executive will be entitled to, subject to the restrictions of Section 409A of the Internal Revenue Code of 1986, in deferred compensation, a lump sum in the case of his resignation or an indemnity in lieu of notice in a lump sum in the case of his termination, equal to 12 to 24 months of such executive's remuneration at the effective date of such resignation or termination, depending on his seniority.

Furthermore, these agreements also provide that if during the term of the executive's employment a *bona fide* offer is made to all shareholders of the Company which, if accepted, would result in a change of control of the Company, then, subject to any applicable law, all of the executive's options which have not yet become vested and exercisable shall become vested and exercisable immediately. Upon expiry of such *bona fide* offer, if it does not result in a change of control of the Company, all of the executive's unexercised options which were not vested prior to such offer, shall immediately revert to their unvested status and to their former provisions with respect to the time of their vesting.

On August 2, 2010, the Company entered into an Executive Employment Agreement with Gregory A. Yull. Pursuant to the terms of the Agreement, Mr. Yull shall receive an annual base salary of \$450,000, increased to \$475,000 commencing June 1, 2011 and \$500,000 commencing on June 1, 2012. Mr. Yull shall also be entitled to a performance bonus for each fiscal year ranging from zero to 100% of his then current annual base salary based on the achievement of specific goals that are mutually agreed to between Mr. Yull and the Board. During the first three years of Mr. Yull's employment, commencing June 8, 2010, Mr. Yull shall be granted 350,000 stock options annually in accordance with the Company's Executive Stock Option Plan (ESOP) and thereafter at the discretion of the Board. The options to be granted during each of the first three years shall become exercisable in annual increments of 25% on each of the first four anniversaries of the grant date. Such options shall expire on the tenth anniversary of the grant date, subject to the early expiry provisions of the ESOP. The exercise price of such options shall be equal to the closing market price on the last trading day prior to the date of such grant. Fifty percent (50%) of the shares

acquired by Mr. Yull pursuant to the exercise of the options granted under the Executive Employment Agreement must be retained by Mr. Yull and not sold or disposed of for a period of three years following the date when the option was exercised. Further, pursuant to the Agreement, Mr. Yull shall receive a reasonable car allowance or leased vehicle, be entitled to participate in all employee benefit programs established by the Company, and be reimbursed for his annual dues for the Laurel Oak Golf and Country Club and the Restigouche Club. Provided Mr. Yull has served under the Agreement a minimum of five years, upon termination of his employment for any reason other than for cause, he shall receive a defined benefit supplementary pension annually for life equal to the lesser of (i) \$600,000 if he separates from service at age 65 or older, \$570,000 at age 64, \$540,000 at age 63, \$510,000 at age 62, \$480,000 at age 61, or \$450,000 at age 60, and (ii) two percent of the average of his total cash compensation (base salary and performance bonus) for the highest five years of his employment during the prior ten years as of the time of separation, multiplied by his years of service with the Company. In the event of Mr. Yull's death, his surviving spouse would receive 50% of the annual supplement pension benefit within ninety days of his death and continuing annually during her lifetime. In the event the Company terminates Mr. Yull's employment for any reason other than cause, or Mr. Yull terminates his employment for Good Reason as defined in the Agreement, Mr. Yull shall be entitled to severance pay in an amount equal to two times the sum of his base salary and the average performance bonus paid to Mr. Yull in the last two fiscal years ending on the date prior to his date of termination. Subject to the restrictions of Section 409A of the Internal Revenue Code of 1986, such amount shall be paid 65% in a lump sum and the balance in eight equal quarterly instalments. In addition, all unvested options that would otherwise vest during the 24 months following the date of termination shall be immediately vested and remain exercisable for a period of twelve months. Lastly, the retirement benefits set forth above shall vest.

On October 30, 2009, the Company entered into an employment letter agreement with Bernard J. Pitz. Pursuant to the terms of the letter agreement, Mr. Pitz receives an annual base salary of \$360,000. Mr. Pitz is also entitled to a bonus ranging from zero to 100% of his then current annual base salary based on the achievement of specific goals that are mutually agreed to between Mr. Pitz and the Board. Further, Mr. Pitz was awarded 182,927 options with a grant price of \$3.44. In addition, the Company agreed to cover Mr. Pitz' relocation costs.

On June 28, 2007, the Company entered into Retention Bonus Letter Agreements with Jim Bob Carpenter, Sr. Vice-President, ECP and Procurement, of the Company, and with Victor DiTommaso, former Chief Financial Officer of the Company. The Retention Bonus Letter Agreements were amended on December 11, 2007. The Retention Bonus Letter Agreements provided for the payment of a retention bonus equal to one year of the executive's then-current base salary if the executive remained in the employ of the Company until the earlier of: (i) his release date (if any) as determined by the Company; and (ii) June 28, 2008. Accordingly, retention bonuses in the amounts of \$269,411 and \$233,496 were paid to Mr. Carpenter and Mr. DiTommaso, respectively, on or about June 28, 2008.

### **Option Grants During the Most Recently Completed Fiscal Year**

The following table sets out the details of all grants of options to the Directors and Named Executive Officers during the fiscal year ended December 31, 2010.



| Name                | Options granted | % of total options granted to employees in financial year | Exercise price<br>CDN\$ | Market value on date of grant<br>CDN\$ | Expiration date |
|---------------------|-----------------|---|-------------------------|--|-----------------|
| Melbourne F. Yull   | 50,000          | 6.1   | \$2.19                  | \$2.19                                 | 06/08/2020      |
| Eric F. Baker       | 50,000          | 6.1   | 2.19                    | 2.19                                   | 06/08/2020      |
| George J. Bunze     | 10,000          | 1.2   | 2.19                    | 2.19                                   | 06/08/2020      |
| Robert J. Foster    | 30,000          | 3.6   | 2.19                    | 2.19                                   | 06/08/2020      |
| Torsten A. Schermer | 10,000          | 1.2   | 2.19                    | 2.19                                   | 06/08/2020      |
| Robert M. Beil      | 10,000          | 1.2   | 2.19                    | 2.19                                   | 06/08/2020      |
| Jorge N. Quintas    | 10,000          | 1.2   | 2.19                    | 2.19                                   | 06/08/2020      |
| Gregory A. Yull     | 350,000         | 42.4  | 1.90                    | 1.90                                   | 08/05/2020      |
| Jim Bob Carpenter   | 35,000          | 4.2   | 2.19                    | 2.19                                   | 06/08/2020      |
| Burgess Hildreth    | 35,000          | 4.2   | 2.19                    | 2.19                                   | 06/08/2020      |

#### Option Exercises In Last Fiscal Year and Fiscal Year-End Option Value

A total of 10,000 options to purchase common shares of the Company were exercised by the Directors or Named Executive Officers during the fiscal year ended December 31, 2010. The following table sets out for each of the Directors and Named Executive Officers the total number of unexercised options held as at December 31, 2010 and the value of such unexercised options at that date.

| Name              | Number of unexercised options at fiscal year-end<br>Exercisable / Unexercisable | Value of unexercised money options at fiscal year-end<br>Exercisable / Unexercisable (\$) <sup>(1)</sup> |
|-------------------|---|--|
| Melbourne F. Yull | 322,500 / 37,500  | — / ¾  |
| Eric E. Baker     | 12,500 / 37,500   | — / ¾  |

|                     |                   |                   |
|---------------------|-------------------|-------------------|
| George J. Bunze     | 37,500 / 12,500   | 3,100/3,100       |
| Jorge N. Quintas    | 17,500 / 22,500   | — / $\frac{3}{4}$ |
| Robert J. Foster    | 7,500 / 22,500    | — / —             |
| Torsten A. Schermer | 37,500 / 12,500   | 3,100/3,100       |
| Robert M. Beil      | 37,500 / 12,500   | 3,100/3,100       |
| Bernard J. Pitz     | 45,731 / 137,196  | — / $\frac{3}{4}$ |
| Gregory A. Yull     | 441,555 / 460,518 | — / $\frac{3}{4}$ |
| Jim Bob Carpenter   | 87,180 / 85,727   | — / $\frac{3}{4}$ |
| Burgess H. Hildreth | 159,329 / 73,110  | — / $\frac{3}{4}$ |

---

(1)

The value of unexercised in-the-money options is calculated using the closing price of the common shares of the Company on the Toronto Stock Exchange on December 31, 2010 (CDN\$1.17) less the respective exercise prices of the options.



## Executive Stock Option Plan

In 1992, Intertape established the Executive Stock Option Plan (the ESOP) in respect of the common shares of the Company, which has been amended from time-to-time. At a special meeting of shareholders of the Company held on September 5, 2007, shareholders approved the most recent amendment to the ESOP, which increased the maximum number of common shares that may be issued under the ESOP to a number equal to 10% of the issued and outstanding common shares of the Company from time-to-time. The ESOP is administered by the Board of Directors of the Company.

The purpose of the ESOP is to promote a proprietary interest in the Company among the executives, key employees and directors of the Company and its subsidiaries, in order to both encourage such persons to further the development of the Company and assist the Company in attracting and retaining key personnel necessary for the Company's long-term success. The Board of Directors designates from time-to-time those persons to whom options are to be granted and determines the number of common shares covered by such options. Generally, participation in the ESOP is limited to persons holding positions that can have an impact on the Company's long-term results.

The number of common shares to which the options relate is determined by taking into account, *inter alia*, the market value of the common shares and each optionee's base salary.

The following is a description of certain features of the ESOP, as required by the Toronto Stock Exchange:

(a)

options expire not later than ten years after the date of grant and, unless otherwise determined by the Board of Directors, all vested options under a particular grant expire 24 months after the vesting date of the last tranche of such grant;

(b)

options vest at the rate of 25% per year, beginning, in the case of options granted to employees, on the first anniversary date of the grant and, in the case of options granted to non-management directors, on the date of the grant;

(c)

the aggregate number of options that may be granted to directors who are not part of management may not exceed 1% of the number of issued and outstanding common shares of the Company;

(d)

the exercise price of the options is determined by the Board of Directors, but cannot be less than the Market Value of the common shares of the Company, defined in the ESOP as the average of the closing price of the common shares on the Toronto Stock Exchange for the day immediately preceding the effective date of the grant;

(e)

notwithstanding the foregoing, Market Value cannot be lower than the closing price of the common shares on the Toronto Stock Exchange for the day immediately preceding the effective date of the grant;

(f)

the number of common shares reserved for issuance to any person cannot exceed 5% of the number of issued and outstanding common shares of the Company;

(g)

the number of common shares issuable to any one insider of the Company and such person's associates within a one-year period cannot exceed 5% of the number of issued and outstanding common shares of the Company;

(h)

the number of common shares reserved for issuance pursuant to stock options granted to insiders under the ESOP or any other compensation arrangement of the Company cannot exceed 10% of the number of issued and outstanding common shares of the Company, and the number of common shares issuable to insiders within a one-year period under the ESOP or any other compensation arrangement of the Company cannot exceed 10% of the number of issued and outstanding common shares of the Company;

(i)

options granted under the ESOP may not at any time be repriced;

(j)

options granted under the ESOP may not be assigned;

(k)

in the event that a *bona fide* offer to purchase all or part of the outstanding common shares is made to all shareholders, notice thereof must be given by the Company to all optionees and all options will become immediately exercisable, but only to the extent necessary to enable an optionee to tender his or her shares should the optionee so desire;

(l)

the ESOP does not provide for financial assistance from the Company to optionees;

(m)

when a director of the Company ceases to be a director, all non-vested options are immediately cancelled and the former director is entitled to exercise, within a period of three months from such event, options that had vested at the time the director ceased to be a director;

(n)

in the case of retirement, all non-vested options are immediately cancelled and the former employee is entitled to exercise, within a period of twelve months from retirement, options that had vested at the time of retirement;

(o)

in the case of an optionee's or director's death, all non-vested options are immediately cancelled and the estate is entitled to exercise, within a period of twelve months from death, options that had vested at the time of death; and

(p)

when an optionee ceases to be an employee of the Company or a subsidiary for any reason other than retirement or death, all non-vested options are immediately cancelled and the optionee is entitled to exercise, within a period of three months from the termination of employment, options that had vested at the time of termination of employment.

As at December 31, 2010, there were options outstanding under the ESOP to purchase an aggregate of 3,355,769 common shares, representing 5.6% of the issued and outstanding common shares of the Company, and a total of 1,996,474 options exercisable.

## **Pension and Post Retirement Benefit Plans**

Melbourne F. Yull was Chairman of the Board of Directors and Chief Executive Officer of the Company from January 11, 1995 to June 14, 2006. Prior thereto, Mr. Yull was the President and a director of the Company or a predecessor thereof, from 1981. The former employment agreement entered into between the Company and Mr. Yull provides that Mr. Yull receive from the Company a defined benefit supplementary pension annually for life in an amount equal to 2% of the average of Mr. Yull's annual gross salary for the final five years of his employment with the Company, multiplied by his years of service with the Company to retirement. Accordingly, Mr. Yull receives a pension from the Company in an amount of \$260,935 per year.

C.

## **BOARD PRACTICES**

### **Term**

The Company has eight Directors. Each Director is elected for a term of one year and may be nominated for re-election at the Company's following annual shareholders' meeting. The next annual shareholders' meeting is scheduled to be held on June 3, 2011, at which time the current term of each Director will expire.

### **Service Contracts**

In 2010, the Company entered into agreements with companies controlled by two of the current members of the Board of Directors. These agreements replaced the advisory services agreements noted below that expired on December 31, 2009. These agreements require the provision of support services that include the duties of Executive Director and Chairman of the Board and qualify as related party transactions in the normal course of operations, which are measured at the exchange amount.

The Executive Director support services agreement was effective from January 1, 2010 through September 30, 2010 and provided for monthly compensation in the amount of \$50,000. This agreement expired on September 30, 2010 and was not replaced. The Chairman of the Board support services agreement is effective from January 1, 2010 through the earlier of June 30, 2011 or the termination of Mr. Eric Baker's services as Chairman of the Board and provides for monthly compensation in the amount of CDN\$25,000. These amounts are in lieu of the fees otherwise paid to Directors for their services.



During the year ended December 31, 2007, the Company entered into three advisory services agreements, two with companies controlled by two current members of the Board of Directors and one with a company controlled by a former senior officer of the Company. The advisory services include business planning and corporate finance activities and qualified as related party transactions in the normal course of operations, which are measured at the exchange amount. Effective December 31, 2008, the Company terminated the advisory services agreement with the company controlled by its former senior officers.

The agreements with the companies controlled by the two current members of the Board of Directors were effective through December 31, 2009. The agreements provided for monthly compensation beginning January 2008 in the amounts of \$75,000 and CDN\$100,000 per month for a minimum of at least three months. Beginning April 1, 2008, the Company's financial commitment relating to the services of two of the three companies was \$50,000 and CDN\$100,000 per month and remained in effect through December 31, 2009. Effective November 2008, the companies controlled by the two current members of the Board of Directors each agreed to a 10% reduction in their monthly compensation. This reduction in compensation continued through November 2009.

The advisory services agreements also provided for an aggregate performance fee payable on July 1, 2010 based on the difference between the average price of the Company's common shares for the ten trading days prior to July 1, 2010 on the Toronto Stock Exchange (TSX) (the Average Price) and the Canadian offering price included in the Company's 2007 rights offering of CDN\$3.61 multiplied by an aggregate of 2.2 million, provided that the Average Price exceeds CDN\$4.76. This provision survived the expiration of the term of the agreements until July 1, 2010. The average stock price for the ten trading days prior to July 1, 2010 did not exceed CDN\$4.76, therefore no performance fee was paid.

### **Compensation Committee**

The Compensation Committee is appointed by the Board and is currently composed of three directors, that is, Robert M. Beil (Chairman), Torsten A. Schermer, and Jorge N. Quintas, none of whom is or has been at any previous time an employee of the Company or any of its subsidiaries.

The Compensation Committee administers the Company's compensation program in accordance with the mandate set out in the Compensation Committee's charter, which has been adopted by the Board. Part of the mandate is to evaluate and recommend to the Board compensation policies and programs for the Company's directors, executive officers and senior management, including option grants under the ESOP described above. The Compensation Committee has the authority to retain compensation consultants to assist in the evaluation of director, chief executive officer or senior executive compensation.

Three primary components comprise the Company's compensation program: basic salary, annual incentive bonuses based on performance, and long-term stock options granted pursuant to the Company's ESOP. Each element of compensation fulfills a different role in the attraction, retention and motivation of qualified executives and employees with the expertise and skills required in the business of the Company, who can effectively contribute to the long-term success and objectives of the Company.

The Compensation Committee annually reviews the compensation levels for the executive officers and certain members of senior management. The Compensation Committee reviews information it receives from the Chief Executive Officer. It uses this information to determine and approve such changes to the general compensation levels that it considered appropriate. In addition, on the recommendation of the Chief Executive Officer, the Compensation Committee approves and recommends to the Board discretionary stock option awards for executive officers and senior management. In arriving at its decisions, the Compensation Committee reviews industry comparisons for similar-sized companies and for other companies in the packaging materials sector.

The base salaries of the Named Executive Officers are reviewed annually to ensure that they take into account the following factors: market and economic conditions; levels of responsibility and accountability of each Named Executive Officer; skill and competencies of each Named Executive Officer; retention considerations; and level of demonstrated performance.

The Compensation Committee's philosophy with respect to executive officer bonuses is to align the payments of bonuses with the performance of the Company, based on predefined goals and objectives established by the Compensation Committee and management and the relative contribution of each of the executive officers to that performance.



The Company provides long-term incentive compensation to its Named Executive Officers through the ESOP. The Compensation Committee recommends the granting of stock options from time to time based on its assessment of the appropriateness of doing so in light of the long-term strategic objectives of the Company, its current stage of development, the need to retain or attract particular key personnel, the number of stock options already outstanding and overall market conditions. The Compensation Committee views the granting of stock options as a means of promoting the success of the Company and higher returns to its shareholders. As such, the Compensation Committee does not grant stock options in excessively dilutive numbers or at exercise prices not reflective of the Company's underlying value.

The Compensation Committee believes that the prerequisites for Named Executive Officers should be limited in scope and value and commensurate with prerequisites offered by peer group companies.

Directors who are not officers or employees of the Company receive both cash compensation and options based on the recommendations of the Compensation Committee following its review of compensation arrangements for directors of public companies with comparable market capitalization.

#### **Audit Committee**

The members of the Audit Committee of Intertape are George J. Bunze, Robert J. Foster, and Torsten Schermer. Each of the Audit Committee members are independent and financially literate as such terms are defined by Canadian Multilateral Instrument 52-110-*Audit Committees*.

Mr. Bunze graduated from the commerce certification CMA program at McGill University, Montreal, Quebec, and is a professional accountant and Certified Management Accountant. Mr. Bunze is the Vice-Chairman and Director and a member of the Executive Committee of Kruger Inc., one of the largest private pulp and paper companies in North America. He also served as the Chief Financial Officer of Kruger Inc. and its various subsidiaries from 1982 to 2003.

Mr. Bunze is a Director of Stella-Jones Inc. and Chairman of its Audit Committee. He was previously a Director of B2B Trust Inc. and Chairman of its Audit Committee.

Mr. Foster graduated from Queen's University with an MA in Economics, earning his CFA, managed the research department and worked in corporate finance at one of the major investment dealers in Canada. He founded and serves as President and Chief Executive Officer of Capital Canada Limited, a boutique investment banking firm. He serves on a number of non-for-profit boards and was on the board and audit committee of CHC Helicopters Corporation and Golf Town Income Trust.

Mr. Schermer earned a Bachelor of Arts Degree and an MBA from the University of Hamburg. Mr. Schermer was the General Manager, Eastern Europe, of Tesa Tape Kft. of Budapest, Hungary. Prior to that he was the President and Chief Executive Officer of Tesa Tape, Inc. In 2006 Mr. Schermer founded a franchise development company.

Intertape's Audit Committee pre-approves all audit engagement fees and the terms of all significant permissible non-audit services provided by independent auditors. The Audit Committee's Charter is attached hereto as **Exhibit 14.1**.

**D.**

## **EMPLOYEES**

As of December 31, 2010, the Company had approximately 2,024 total employees. As of December 31, 2010, 334 held either sales-related or administrative positions and 1,680 of whom were employed in operations. The Company's Portuguese subsidiary had 54 employees, 4 in sales positions and the rest were employed in operations.

Approximately 128 hourly employees at the Company's Marysville plant are unionized and subject to a collective bargaining agreement which expires on April 30, 2015. Approximately 154 hourly employees at the Company's Menasha plant are unionized and subject to a collective bargaining agreement which expires on July 31, 2011.

Approximately 46 hourly employees at the Company's Carbondale plant are unionized and subject to a collective bargaining agreement which expires on March 3, 2012. In Langley, British Columbia, 33 employees are unionized and their collective bargaining agreement expired on March 31, 2010. The collective bargaining agreement which covered 86 employees at the Company's Brantford, Ontario plant expired on February 28, 2008. A new agreement has not been entered into and the unionized employees are on strike. Other than the current strike at its Brantford, Ontario plant, the Company has never experienced a work stoppage and it considers its employee relations to be satisfactory. The Company does not employ a significant number of temporary employees.

E.

**SHARE OWNERSHIP**

The following table sets out for each of the Directors and Named Executive Officers as of March 22, 2011, the number of shares of the Company owned or controlled by each.

| <u>NAME</u>         | <u>NUMBER OF SHARES<br/>OWNED</u> |
|---------------------|-----------------------------------|
| Melbourne F. Yull   | 2,530,109                         |
| Eric E. Baker       | 2,874,689                         |
| George J. Bunze     | 25,250                            |
| Robert J. Foster    | 25,000                            |
| Torsten Schermer    | 22,720                            |
| Jorge N. Quintas    | 1,833,468                         |
| Robert M. Beil      | 30,000                            |
| Gregory A. Yull     | 130,409                           |
| Bernard J. Pitz     | -----                             |
| Jim Bob Carpenter   | 26,204                            |
| Burgess H. Hildreth | 32,658                            |

As of March 22, 2011, the Directors and Named Executive Officers own an aggregate of 7,994,907 common shares of the Company, being 13.56% of the issued and outstanding common shares of the Company. The common shares held by the Directors and Named Executive Officers do not have different voting rights from those held by the other shareholders of the Company.

Please see the heading "Executive Stock Option" above in this section for a description of the Company's Amended Executive Stock Option Plan.

**Item 7:****Major Shareholders and Related Party Transactions**

A.

**MAJOR SHAREHOLDERS**

As at December 31, 2010, to the knowledge of the Company, the following are the only persons who beneficially own, or exercise control or direction over, more than 5% of the issued and outstanding common shares of the Company ( Major Shareholders ), along with a three-year history of their stock ownership:

| <i>Name and place of residence</i>                                   | <i># / %</i>       | <i># / %</i>       | <i># / %</i>       |
|--|--------------------|--------------------|--------------------|
|  | <b>12/31/2010</b>  | <b>12/31/2009</b>  | <b>12/31/2008</b>  |
| Letko, Brosseau & Associates Inc. <sup>(1)</sup><br>Montreal, Québec | 13,411,823 / 22.75 | 13,517,913 / 22.99 | 13,587,956 / 23.05 |
| Wells Fargo & Company <sup>(2)</sup><br>San Francisco, California    | 11,756,371 / 19.94 | 12,086,816 / 20.50 | 12,173,820 / 20.65 |

(1)

Based on reports dated 2/10/09, 2/11/10 and 2/14/11 filed by Letko, Brosseau & Associates Inc. with the United States Securities and Exchange Commission.

(2)

Based on reports dated 1/19/09, 1/22/10 and 1/14/11 filed by Wells Fargo & Company with the United States Securities and Exchange Commission.

The Major Shareholders of the Company do not have any voting rights that differ from the other shareholders of the Company.

As of March 11, 2011, of the 58,961,050 common shares issued and outstanding, 40,243,431 are held in Canada and 18,717,619 in the United States, being 68.25% and 31.75%, respectively.

The Company is not directly or indirectly owned or controlled by another corporation, by any foreign government or by any natural or legal person. There are no arrangements known to the Company that could result at a subsequent date in a change of control of the Company.

**B.**

**RELATED PARTY TRANSACTIONS**

The Company is unaware of any material interest of any of its directors or officers or of any person who beneficially owns or exercises control or direction over shares carrying more than ten percent of the voting rights attached to the Company's shares, or any associate or affiliate of any such person, in any transaction since the beginning of the last completed financial year or in any proposed transactions that has materially affected or will materially affect the Company or any of its affiliates.

Prior to July 31, 2002, the Company made certain interest-free loans payable on demand to certain of its directors and officers. Only one loan remains outstanding to Gregory A. Yull with a balance of US\$107,500.00, which Mr. Yull has made arrangements to repay.

In 2010, the Company entered into agreements with companies controlled by two of the current members of the Board of Directors. These agreements replaced the advisory services agreements noted below that expired on December 31, 2009. These agreements require the provision of support services that include the duties of Executive Director and Chairman of the Board.

The Executive Director support services agreement was effective from January 1, 2010 through September 30, 2010 and provided for monthly compensation in the amount of \$50,000. This agreement expired on September 30, 2010 and was not replaced. The Chairman of the Board support services agreement is effective from January 1, 2010 through the earlier of June 30, 2011 or the termination of Mr. Eric Baker's services as Chairman of the Board and provides for monthly compensation in the amount of CDN\$25,000. These amounts are in lieu of the fees otherwise paid to Directors for their services.

During the year ended December 31, 2007, the Company entered into three advisory services agreements, two with companies controlled by two current members of the Board of Directors and one with a company controlled by a former senior officer of the Company. The advisory services included business planning and corporate finance activities and qualified as related party transactions in the normal course of operations, which are measured at the exchange amount. Effective December 31, 2008, the Company terminated the advisory service agreement with the

company controlled by one of its former senior officers.

The agreements with the companies controlled by the two current members of the Board of Directors were effective through December 31, 2009. The agreements provided for monthly compensation beginning January 2008 in the amounts of \$75,000 and CDN\$100,000 per month for a minimum of at least three months. Beginning April 1, 2008, the Company's financial commitment relating to the services of two of the three companies was \$50,000 and CDN\$100,000 per month and remained in effect through December 31, 2009. Effective November 2008, the companies controlled by the two current members of the Board of Directors each agreed to a 10% reduction in their monthly compensation. This reduction in compensation continued through November 2009.

The advisory services agreements also provided for an aggregate performance fee payable on July 1, 2010 based on the difference between the average price of the Company's common shares for the ten trading days prior to July 1, 2010 on the Toronto Stock Exchange (the Average Price) and the Canadian offering price included in the Company's 2007 rights offering of CDN\$3.61 multiplied by an aggregate of 2.2 million, provided that the Average Price exceeds CDN\$4.76. This provision survived the expiration of the term of the agreements until July 1, 2010. The average stock price for the ten trading days prior to July 1, 2010 did not exceed CDN\$4.76 therefore no performance fee was paid.

C.

#### **INTERESTS OF EXPERTS AND COUNSEL**

Not Applicable.

**Item 8:**

**Financial Information**

Intertape's amended and restated consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with a reconciliation to U.S. GAAP included under Note 21 to the consolidated financial statements under Item 17 hereof. In this Form 20-F, unless otherwise specified, all amounts are expressed in U.S. dollars.

**A.**

**CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

The Consolidated Financial Statements of Intertape for the years ended December 31, 2010, 2009 and 2008 include the following, which are set forth in Part III, Item 17 hereof:

- Management's Responsibility for Financial Statements
- Management's Report on Internal Control over Financial Reporting
- Independent Auditor's Report
- Independent Auditors' Report on Internal Control over Financial Reporting
- Financial Statements
- Consolidated Earnings
- Consolidated Comprehensive Income (Loss)

Consolidated Shareholders' Equity

Consolidated Cash Flows

Consolidated Balance Sheets

Notes to Consolidated Financial Statements

## **Litigation**

In 2009, the Company filed a complaint in the U.S. District Court for the Middle District of Florida against Inspired Technologies, Inc. ( ITI ) alleging that ITI had breached its obligations under a supply agreement between the Company and ITI. The supply agreement provided that the Company would manufacture and supply certain products to ITI, and ITI would purchase such products exclusively from the Company. The Company alleged that ITI breached this agreement by licensing a third party to manufacture and sell the products.

ITI filed a counterclaim against the Company alleging that the Company had breached its obligations under the agreements between the parties. ITI also alleged that the Company had engaged in trademark infringement, false advertising, deceptive trade practices, unfair competition and consumer fraud.

On July 14, 2010, the Court granted a motion for summary judgment in favor of the Company on the issue of whether the Company had engaged in trademark infringement, false advertising, deceptive trade practices, unfair competition and consumer fraud. On September 13, 2010, the Court on its own motion determined that the licensing by ITI of its technology to another manufacturer did not violate the supply agreement. It also ordered that the position of the parties be reversed, with the Company being positioned as the defendant.

On September 22, 2010, a jury trial was held on the remaining issues. The jury concluded that the Company had breached certain obligations under the supply agreement and the confidentiality agreements, and awarded ITI approximately \$13.2 million as compensation for its damages.

On October 27, 2010, the Company filed its post-trial motions with the trial court requesting a judgment as a matter of law, new trial, or remittitur. On December 17, 2010, the Court granted Intertape's alternative motion for remittitur. In its order, the Court offered Plaintiff ITI the choice between accepting a remitted judgment amount of \$3,382,775.37 (which included a principal amount of \$3 million plus prejudgment interest and attorneys' fees) or electing a new trial on damages. On January 5, 2011, ITI filed a notice stating that it had chosen a new trial on damages. On January 6, 2011, the Court set February 9, 2011 as the date for a new trial and a trial was held on the issue of damages. On February 11 the jury returned a verdict against the Company in the amount of \$700,000.



The execution of the judgment will be stayed during the period for the Court to rule on the post trial motions and appeal. At December 31, 2010, the Company had posted an appellate bond of \$13.2 million related to the original judgment (the Bond ) plus required post judgment interest. The Bond was secured with an \$8.0 million letter of credit and \$5.2 million of cash.

Even though the cash is included in the December 31, 2010 cash balance, it is restricted. Both the restricted cash and the letter of credit reduced the availability under the ABL as of December 31, 2010. Subsequent to December 31, 2010, the Bond was adjusted by the Court based upon the Court's rulings on the post-trial motions. As of March 10, 2011 the amount of the bond is \$1.0 million, which includes \$0.7 million of damages and \$0.3 million of legal fees and pre-judgment interest.

Though disclosed here, the Company's management has concluded that although it is possible that it will incur a loss as a result of the ITI litigation, as of now the amount of the contingent loss cannot be reasonably estimated. In any event, the Company believes that the litigation will not have a significant effect on the Company's financial position or profitability.

### **Dividend Distributions**

The Company has no written policy for the payment of dividends. So long as the payment would not result in a violation of the Company's covenants with its lenders and noteholders, there are no other restrictions that would prevent the Company from paying dividends. The Company has not paid dividends in the past three years. For details regarding the Company's covenants with its lenders and noteholders please refer to the Registration Statement filed on *www.sec.gov* in the U.S. on October 26, 2004 as Registration No. 333-119982, as amended, and the Indenture and the ABL Loan and Security Agreement filed on *www.sedar.com* in Canada.

**B.**

### **SIGNIFICANT CHANGES**

No significant changes have occurred since the date of the annual financial statements.

**Item 9:**

### **The Offer and Listing**

**A.**

### **OFFER AND LISTING DETAILS**

The following table sets forth the reporting of the high and low closing prices for Intertape shares on the Toronto Stock Exchange for the periods indicated. Also set forth below are the high and low closing prices for Intertape shares on the New York Stock Exchange through December 2009 and the OTC Pink Sheets for 2010 and 2011. As previously discussed, the Company voluntarily delisted its shares of common stock from the New York Stock Exchange effective December 3, 2009.

| Year | Period         | Toronto Stock Exchange (\$CDN) |      | New York Stock Exchange (\$US) |       |
|------|----------------|--------------------------------|------|--------------------------------|-------|
|      |                | High                           | Low  | High                           | Low   |
| 2006 | Annual         | 10.44                          | 4.63 | 9.20                           | 4.01  |
| 2007 | Annual         | 6.40                           | 2.49 | 5.34                           | 2.36  |
| 2008 | Annual         | 3.53                           | 0.80 | 3.59                           | 0.67  |
| 2009 | Annual         | 3.07                           | 0.39 | 2.90                           | 0.26  |
| 2010 | Annual         | 3.60                           | 0.92 | 3.43*                          | 0.93* |
| 2009 | First Quarter  | 1.20                           | 0.39 | 1.04                           | 0.26  |
|      | Second Quarter | 1.65                           | 0.50 | 1.50                           | 0.42  |
|      | Third Quarter  | 2.89                           | 0.89 | 2.70                           | 0.78  |
|      | Fourth Quarter | 3.07                           | 1.64 | 2.90                           | 1.56  |
| 2010 | First Quarter  | 3.60                           | 2.39 | 3.43*                          | 2.31* |
|      | Second Quarter | 3.38                           | 2.10 | 3.31*                          | 2.03* |
|      | Third Quarter  | 2.25                           | 1.52 | 2.09*                          | 1.50* |
|      | Fourth Quarter | 1.65                           | 0.92 | 1.54*                          | 0.93* |
| 2010 | September      | 1.82                           | 1.52 | 1.73*                          | 1.50* |
|      | October        | 1.65                           | 0.98 | 1.54*                          | 0.96* |
|      | November       | 1.49                           | 0.92 | 1.46*                          | 0.93* |
|      | December       | 1.26                           | 1.10 | 1.25*                          | 1.08* |

|      |          |      |      |       |       |
|------|----------|------|------|-------|-------|
| 2011 | January  | 1.17 | 1.02 | 1.17* | 1.04* |
|      | February | 1.29 | 1.13 | 1.30* | 1.12* |

Intertape has authorized an unlimited number of voting common shares without par value. The Company also has authorized an unlimited number of non-voting Class A preferred shares issuable in a series, ranking in priority to the common shares with respect to dividends and return of capital on dissolution. The Board of Directors is authorized to fix, before issuance, the designation, rights, privileges, restrictions and conditions attached to the shares of each series of Class A preferred shares. As of December 31, 2010, there were 58,961,050 issued and outstanding common shares and no issued and outstanding preferred shares of the Company.

**B.**

**PLAN OF DISTRIBUTION**

Not Applicable.

**C.**

**MARKETS**

The Company's common shares are traded on the Toronto Stock Exchange under the symbol ITP. The Company's common shares were traded on the New York Stock Exchange under the symbol ITP until December 3, 2009, the effective date of the Company's voluntary delisting. The Company's common shares are traded in the U.S. on the OTC Pink Sheets.

**D.**

**SELLING SHAREHOLDERS**

Not Applicable.

**E.**

**DILUTION**

Not Applicable.

**F.**

**EXPENSES OF THE ISSUE**

Not Applicable.

**Item 10:**

**Additional Information**

**A.**

**SHARE CAPITAL**

Not Applicable.

**B.**

**MEMORANDUM AND ARTICLES OF ASSOCIATION**

1.

The business of Intertape was established when Intertape Systems Inc., a predecessor of the Company, established a pressure-sensitive tape manufacturing facility in Montreal. Intertape Polymer Group was incorporated under the Canada Business Corporations Act (the Act ) on December 22, 1989 under the name 171695 Canada Inc. On October

8, 1991, the Company filed a Certificate of Amendment changing its name to Intertape Polymer Group Inc. A Certificate of Amalgamation was filed by the Company on August 31, 1993, at which time the Company was amalgamated with EBAC Holdings Inc. The Shareholders, at the Company's June 11, 2003 annual and special meeting, voted on the replacement of the Company's By-Law No. 1 with a new General By-Law 2003-1. The intent of the replacement by-law was to conform the Company's general by-laws with amendments that were made to the Act since the adoption of the general by-laws and to simplify certain aspects of the governance of the Company. On August 6, 2006, the Company filed a Certificate of Amendment to permit the Board of Directors of the Company to appoint one or more additional Directors to hold office for a term expiring not later than the close of the next annual meeting of the Company's Shareholders, so long as the total number of Directors so appointed does not exceed one-third of the number of Directors elected at the previous annual meeting of the Shareholders of the Company

2.

The directors of the Company may, when deemed expedient:

(a)

borrow money upon the credit of the Company;

(b)

issue debentures or other securities of the Company, and pledge or sell the same for such sums and at such prices as may be deemed expedient;

(c)

notwithstanding the provisions of the Civil Code, hypothecate, mortgage or pledge the moveable or immoveable property, present or future, of the Company, to secure any such debentures, or other securities, or give part only of such guarantee for such purposes; and constitute the hypothec, mortgage or pledge above mentioned, by trust deed, in accordance with Sections 28 and 29 of the Special Corporate Powers Act (Chapter P-16), or on any other manner; and

(d)

mortgage, hypothecate, pledge or otherwise create a security interest in all or any moveable or personal, immoveable or real or other property of the Company, owned or subsequently acquired, to secure any obligation of the Company.

Each director is required to own a minimum of USD\$20,000.00 of the Company's common shares, such amount to be measured based on the original purchase price of such shares. Each director is to comply with this requirement prior to the issuance of the Company's 2011 proxy form, if permitted by the requirements of applicable Canadian and U.S. laws. As of March 22, 2011, each of the Directors has complied with this requirement.

3.

#### Description of Share Capital:

The authorized capital of the Company consists of an unlimited number of common shares and non-voting Class A preferred shares, issuable in series. The following is a summary of the material provisions which attach to the common shares and Class A preferred shares, and is qualified by reference to the full text of the rights, privileges, restrictions and conditions of such shares.

#### *Common Shares*

**Voting Rights** Each common share entitles the holder thereof to one vote at all meetings of the shareholders of the Company.

**Payment of Dividends** The holders of the Company's common shares are entitled to receive during each year, as and when declared by the Board of Directors, dividends payable in money, property or by issue of fully-paid shares of the capital of the Company.

**Distribution of Assets Upon Winding-Up** In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of assets of the Company among shareholders for the purpose of winding-up its affairs, the holders of the Company's common shares are entitled to receive the remaining property of the Company.

#### *Class A Preferred Shares*

The Board of Directors may at any time and from time to time issue non-voting Class A preferred shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors. The Class A preferred shares are entitled to preference over the common shares with respect to the payment of dividends. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among shareholders for the purpose of winding-up its affairs, the holders of the Class A preferred shares will, before any amount is paid to, or any property or assets of the Company distributed among, the holders of the common shares, be entitled to receive: (i) an amount equal to the amount paid-up on such shares together with, in the case of cumulative Class A preferred shares, all unpaid cumulative dividends and, in the case of non-cumulative Class A preferred shares, all declared and unpaid non-cumulative dividends; and (ii) if such liquidation, dissolution, winding-up or distribution is voluntary, an additional amount equal to the premium, if any, which would have been payable on the redemption of the Class A preferred shares if they had been called for redemption by the Company on the date of distribution.

4.

The rights of the holders of the Class A preferred shares may be amended only with the prior approval of two-thirds of the holders of the Class A preferred shares in addition to any other approvals required by the Act.





There are no preferred shares currently issued and outstanding.

5.

Subject to compliance with the Act, the annual shareholders meeting shall be convened on such day each year and at such time as the Board of Directors may by resolution determine. Special meetings of the shareholders may be convened by order of the Chairman of the Board, the President or a Vice President who is a director or by the Board of Directors to be held at such time and place as may be specified in such order. Special meetings of the shareholders may also be called by written request to the Board of Directors signed by shareholders holding between them not less than five percent (5%) of the outstanding shares of the Company entitled to vote at such meeting. Such request shall state the business to be transacted at the meeting and sent to the registered office of the Company. In the event the Board of Directors does not call the meeting within twenty-one (21) days after receiving the request, then any shareholder who signed the request may call the meeting.

6.

The Articles of Amalgamation of Intertape do not contain limitations on the rights of non-resident or foreign shareholders to hold or exercise voting rights on the Company's shares.

7.

The Articles of Amalgamation and the Bylaws contain no provision that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or any of its subsidiaries.

C.

#### **MATERIAL CONTRACTS**

The following is a description of the material contracts the Company was a party to during the last two fiscal years ended December 31, 2010, regardless of when they were initially entered into by Intertape Polymer Group, either directly or through one of its subsidiaries, and that are not in the ordinary course of the Company's business:

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**a Purchase Agreement, Registration Rights Agreement and Indenture** each dated as of July 28, 2004, in connection with the issuance by Intertape Polymer US Inc., a finance subsidiary of Intertape Polymer Group, of the aggregate principal amount of US\$125.0 million of 8-½% Senior Subordinated Notes due 2014. The Notes were offered to institutional investors and are guaranteed on a senior subordinated basis by the Company and substantially all of its subsidiaries. Interest will accrue and be payable on the Notes semi-annually in arrears on February 1 and August 1. For a copy of the Purchase Agreement, Registration Rights Agreement, and Indenture, as well as details of the terms of the Senior Subordinated Notes, see the Registration Statement filed on October 26, 2004 as Registration No. 333-119982 as amended on [www.sec.gov](http://www.sec.gov) in the United States.

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**a Loan and Security Agreement** dated March 28, 2008, among certain subsidiaries of the Company, the Lenders referred to therein, Bank of America, N.A., as Agent, and Banc of America Securities LLC, as Sole Lead Arranger and Book Manager for a \$200.0 million asset based loan ( ABL ) The amount of borrowings available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is determined by calculating a percentage of eligible trade accounts receivable, inventories and property, plant, and equipment. The ABL is priced at Libor plus a loan margin determined from a pricing grid. The loan margin declines as unused availability increases. The loan grid ranges from 1.50% to 2.25%. Unencumbered real estate is subject to a negative pledge in favor of the ABL lenders. However, the Company retains the ability to secure financing on all or a portion of its owned real estate and have the negative pledge of the ABL lenders subordinated to up to \$35.0 million of real estate mortgage financing. The ABL has one financial covenant, a fixed charge ratio of 1.0 to 1.0. The ratio compares EBITDA (as defined in the ABL) less capital expenditures and pension plan payments in excess of pension plan expense to the sum of debt service and the amortization of the value of equipment in the borrowing base. The financial covenant becomes effective only when unused availability drops below \$25.0 million. The ABL matures in March 2013. For a copy of the Loan and Security Agreement see the 6-K filed on May 8, 2008, Film No. 088 13597.

A copy of all of the foregoing contracts, except as otherwise noted, are available on [www.sedar.com](http://www.sedar.com) and on [www.sec.gov](http://www.sec.gov).

**D.**

## **EXCHANGE CONTROLS**

As of the date hereof, there are no governmental laws, decrees or regulations in Canada on the export or import of capital, or which impose foreign exchange controls or affect the remittance of interest, dividends or other payments to non-resident holders of our common stock, except as described under Item 10E Taxation below.

Except as provided in the Investment Canada Act, which has provisions that restrict the holding of voting shares by non-Canadians, there are no limitations specific to the rights of non-Canadians to hold or vote the Company's common shares under the laws of Canada or Alberta, or in its charter documents. The following summarizes the principal features of the Investment Canada Act for non-Canadian residents proposing to acquire the Company's common shares.

**This summary is of a general nature only and is not intended to be, and should not be construed to be, legal advice to any holder or prospective holder of the Company's common shares, and no opinion or representation to any holder or prospective holder of our common shares is hereby made. Accordingly, holders and prospective holders of the Company's common shares should consult with their own legal advisors with respect to the consequences of purchasing and owning the Company's common shares.**

The Investment Canada Act governs the acquisition of Canadian businesses by non-Canadians. Under the Investment Canada Act, non-Canadian persons or entities acquiring control (as defined in the Investment Canada Act) of a corporation carrying on business in Canada are required to either notify, or file an application for review with, Industry Canada, subject to certain statutory exemptions. The relevant Minister may review any transaction which constitutes an acquisition of control of a Canadian business, where the book value of the assets acquired exceeds certain thresholds (which are higher for investors from members of the World Trade Organization, including United States residents, or World Trade Organization member-controlled companies) or where the activity of the business is related to Canada's cultural heritage or national identity, or where the investment could be injurious to Canada's national security. For acquisitions of control a business which do not involve a business related to Canada's cultural heritage or national identity or present national security issues, no change of voting control will be deemed to have occurred, for purposes of the Investment Canada Act, if less than one-third of the voting control of a Canadian corporation is acquired by an investor. Different rules apply to acquisitions of control of businesses related to Canada's cultural heritage or national identity, or present national security concerns.

If an investment is reviewable under the Investment Canada Act, an application for review in the form prescribed is normally required to be filed with Industry Canada prior to the investment taking place, and the investment may not be implemented until the review has been completed and the Minister responsible for the Investment Canada Act is satisfied that the investment is likely to be of net benefit to Canada. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian applicant must not implement the investment, or if the investment has been implemented, may be required to divest itself of control of the Canadian business that is the subject of the investment. Different rules apply if the Minister determines that the investment may be injurious to Canada's national security.

Certain transactions relating to Intertape's common stock would be exempt from the Investment Canada Act, if they are not found to be potentially injurious to Canada's national security by the Minister responsible for the Investment

Canada Act, including:

(a)

the acquisition of the Company's common stock by a person in the ordinary course of that person's business as a trader or dealer in securities;

(b)

the acquisition of control of the Company in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the Investment Canada Act; and

(c)

the acquisition of control of the Company by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Company, through ownership of our common stock, remains unchanged.

These exemptions do not apply to an acquisition of control of a Canadian business that is deemed to be potentially injurious to Canada's national security.

**E.**

## **TAXATION**

### **Material Canadian Federal Income Tax Consequences**

The following general summary describes the principal Canadian federal income tax consequences applicable to a holder of the Company's common stock who is a resident of the United States, who is not, will not be and will not be deemed to

be a resident of Canada for purposes of the Income Tax Act (Canada) (the *Income Tax Act* ) and any applicable tax treaty and who does not use or hold, and is not deemed to use or hold, his common stock in the capital of the Company in connection with carrying on a business in Canada (a *non-resident holder* ). This summary applies only to non-resident holders who hold their Intertape common stock as capital property. This summary does not apply to non-resident holders who are financial institutions (within the meaning of the *Income Tax Act*) or insurers.

This summary is based upon the current provisions of the *Income Tax Act*, the regulations thereunder (the *Regulations* ), the current publicly announced administrative and assessing policies of the Canada Revenue Agency and the Canada- United States Tax Convention (1980), as amended (the *Treaty* ). This summary also takes into account the amendments to the *Income Tax Act* and the *Regulations* publicly announced by the Minister of Finance (Canada) prior to the date hereof (the *Tax Proposals* ) and assumes that all such *Tax Proposals* will be enacted in their present form. However, no assurances can be given that the *Tax Proposals* will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax consequences applicable to a non-resident holder of the Company's common stock and, except for the foregoing, this summary does not take into account or anticipate any changes in law, whether by legislative, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax consequences described herein.

**This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular holder or prospective holder of Intertape's common stock, and no opinion or representation with respect to the tax consequences to any holder or prospective holder of the Company's common stock is made. Accordingly, holders and prospective holders of the Company's common stock should consult their own tax advisors with respect to the income tax consequences of purchasing, owning and disposing of Intertape's common stock in their particular circumstances.**

### *Dividends*

Dividends paid on the Company's common stock to a non-resident holder will be subject under the *Income Tax Act* to withholding tax which tax is deducted at source by the Company. The withholding tax rate for dividends prescribed by the *Income Tax Act* is 25% but this rate may be reduced under the provisions of an applicable tax treaty. Under the *Treaty*, the withholding tax rate is reduced to 15% on dividends paid by the Company to a resident of the United States who is the beneficial owner of such dividend and is eligible to benefits under the *Treaty*. The rate is further reduced to 5% where the beneficial owner of the dividend is a corporation resident in the United States that is eligible for benefits under the *Treaty* and that owns at least 10% of the voting stock of the Company.

### *Capital Gains*

A non-resident holder is not subject to tax under the Income Tax Act in respect of a capital gain realized upon the disposition of a common share of the Company unless such share is (or is deemed to be) taxable Canadian property (as defined in the Income Tax Act) of the non-resident holder. As long as they are listed on a designated stock exchange (which includes the TSX and the NYSE) at the time they are disposed of, Intertape's common stock generally will not be taxable Canadian property of a non-resident holder unless the non-resident holder, persons with whom the non-resident holder does not deal at arm's length or the non-resident holder together with such non-arm's length persons owned, or had an interest in an option in respect of, 25% or more of the issued stock of any class or series of the Company's capital stock at any time during the 60 month period immediately preceding the disposition of the stock. In the case of a non-resident holder resident in the United States who is eligible for benefits under the Treaty and for whom stock of the Company are taxable Canadian property, no Canadian taxes will generally be payable on a capital gain realized on such stock by reason of the Treaty unless the value of such stock is derived principally from real property situated in Canada.

### **United States Federal Income Tax Consequences**

The following is a general discussion of the material United States federal income tax consequences, under current law, generally applicable to a U.S. Holder (as hereinafter defined) of common shares of the Company. This discussion does not address individual consequences to persons subject to special provisions of federal income tax law, such as those described below as excluded from the definition of a U.S. Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. (See Canadian Federal Tax Consequences ).

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, published Internal Revenue Service (IRS) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. This discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. This discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of common shares of the Company and no opinion or representation with respect to the United States federal income tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of common shares of the Company are urged to consult their own tax advisors about the federal, state, local, and foreign tax consequences of purchasing, owning and disposing of common shares of the Company.

### **U.S. Holders**

As used herein, a U.S. Holder means a holder of common shares of the Company who is a citizen or individual resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof or a trust whose income is taxable in the United States irrespective of source.

This summary does not address the tax consequences to, and U.S. Holder does not include, persons subject to specific provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a functional currency other than the U.S. dollar, shareholders who hold common shares as part of a straddle, hedging or a conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to U.S. Holders who own common shares as capital assets. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares.

### **Distribution on Common Shares of the Company**

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of the Company are required to include in gross income for United States federal income tax purposes the gross amount of such distributions equal to the U.S. dollar value of such dividends on the date of receipt (based on the exchange rate on such date) to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's federal taxable income by those who itemize deductions. (See more detailed discussion at Foreign Tax Credit below). To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation.

### **Foreign Tax Credit**



A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of the Company may be entitled, at the option of the U.S. Holder, to either receive a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign sources income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as passive income, high withholding tax interest, financial services income, shipping income, and certain other classifications of income. Dividends distributed by the Company will generally constitute passive income or, in the case of certain U.S. Holders, financial services income for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit

are fact specific, and U.S. Holders of common shares of the Company should consult their own tax advisors regarding their individual circumstances.

### **Disposition of Common Shares of the Company**

A U.S. Holder will recognize gain or loss upon the sale of common shares of the Company equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the common shares of the Company. Preferential tax rates apply to long-term capital gains of U.S. Holders who are individuals, estates or trusts. This gain or loss will be capital gain or loss if the common shares are a capital asset in the hands of the U.S. Holder, which will be long-term capital gain or loss if the common shares of the Company are held for more than one year.

### **Other Considerations**

In the following circumstances, the above sections of this discussion may not describe the United States federal income tax consequences resulting from the holding and disposition of common shares:

#### *Passive Foreign Investment Company*

Certain United States income tax legislation contains rules governing passive foreign investment companies ( PFIC ) which can have significant tax effects on U.S. Holders of foreign corporations. These rules do not apply to non-U.S. Holders.

Section 1297 of the Code defines a PFIC as a corporation that is not formed in the United States and, for any taxable year, either (i) 75% or more of its gross income is passive income , which includes interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if the Company is a controlled foreign corporation or makes an election, adjusted tax basis) of its assets that produce or are held for the production of passive income is 50% or more. The Company does not believe that it is a PFIC. Each U.S. Holder of the Company is urged to consult a tax advisor with respect to how the PFIC rules affect their tax situation.

A U.S. Holder who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to United States federal income taxation under one of two alternative tax regimes at the election of each such U.S. Holder. The following is a discussion of such two alternative tax regimes applied to such U.S. Holders of the Company. In addition, special rules apply if a foreign corporation qualifies as both a PFIC and a controlled foreign corporation (as defined below) and a U.S. Holder owns, directly or indirectly, ten percent (10%) or more of the total combined voting power of classes of shares of such foreign corporation (See more detailed discussion at Controlled Foreign Company below).

A U.S. Holder who makes an election (an Electing U.S. Holder ) in a timely manner to treat the Company as a Qualified Electing Fund ( QEF ) will be subject, under Section 1293 of the Code, to current federal income tax for any taxable year in which the Company qualifies as a PFIC on his pro rata share of the Company's (i) net capital gain (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain to the Electing U.S. Holder and (ii) ordinary earnings (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income to the Electing U.S. Holder, in each case, for the shareholder's taxable year in which (or with which) the Company's taxable year ends, regardless of whether such amounts are actually distributed.

The effective QEF election also allows the Electing U.S. Holder to (i) generally treat any gain realized on the disposition of their common shares of the Company (or deemed to be realized on the pledge of their shares) as capital gain; (ii) treat his share of the Company's net capital gain, if any, as long-term capital gain instead of ordinary income; and (iii) either avoid interest charges resulting from PFIC status altogether, or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of the Company's annual realized net capital gain and ordinary earnings subject, however, to an interest charge. If the Electing U.S. Holder is not a corporation, such an interest charge would be treated as personal interest that is not deductible.

If a U.S. Holder does not make a timely QEF election during a year in which it holds (or is deemed to have held) the shares in question and the Company is a PFIC (a Non-electing U.S. Holder), then special taxation rules under Section 1291 of the Code will apply to (i) gains realized on the disposition (or deemed to be realized by reasons of a pledge) of his common shares of the Company and (ii) certain excess distributions, as specifically defined, by the Company.

A Non-electing U.S. Holder generally would be required to pro rate all gains realized on the disposition of his common shares of the Company and all excess distribution of his common shares and all excess distributions over the entire holding period for the Company.

All gains or excess distributions allocated to prior years of the U.S. Holder (other than years prior to the first taxable year of the Company during such U.S. Holder's holding period and beginning after January 1, 1987 for which it was a PFIC) would be taxed at the highest tax rate for each such prior year applicable to ordinary income. The Non-electing U.S. Holder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-electing U.S. Holder that is not a corporation must treat this interest charge as personal interest which, as discussed above, is wholly non-deductible. The balance of the gain of the excess distribution will be treated as ordinary income in the year of the disposition or distribution, and no interest charge will be incurred with respect to such balance.

If the Company is a PFIC for any taxable year during which a Non-electing U.S. Holder holds common shares of the Company, then the Company will continue to be treated as a PFIC with respect to such common shares, even if it is no longer definitionally a PFIC. A Non-electing U.S. Holder may terminate this deemed PFIC status by electing to recognize a gain (which will be taxed under the rules discussed above for Non-electing U.S. Holders) as if such common shares had been sold on the last day of the last taxable year for which it was a PFIC.

Under Section 1291(f) of the Code, the IRS has issued proposed regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by Non-Electing U.S. Holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. Generally, in such cases the basis of the Company common shares in the hands of the transferee and the basis of any property received in the exchange for those common shares would be increased by the amount of gain recognized. An Electing U.S. Holder would not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. The transferee's basis in this case will depend on the manner of the transfer. In a transfer at death, for example, the transferee's basis is equal to (i) the fair market value of the Electing U.S. Holder's common shares, less (ii) the excess of the fair market value of the Electing U.S. Holder's common shares reduced by the U.S. Holder's adjusted basis in these common shares at death. The specific tax effect to the U.S. Holder and the transferee may vary based on the manner in which the common shares are transferred. Each U.S. Holder of the Company is urged to consult a tax advisor with respect to how the PFIC rules affect their tax situation.

Certain special, generally adverse, rules will apply with respect to common shares of the Company while the Company is a PFIC whether or not it is treated as a QEF. For example under Section 1297(b)(6) of the Code, a U.S. Holder who uses PFIC stock as security for a loan (including a margin loan) will, except as may be provided in regulations, be treated as having made a taxable disposition of such shares.

#### *Controlled Foreign Company*

If more than 50% of the voting power of all classes of shares or the total value of the shares of the Company is owned, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships and corporations or estates or trusts other than foreign estates or trusts, each of whom own 10% or more of the total combined voting power of all classes of shares of the Company (United States shareholder), the Company could be treated as a controlled foreign corporation under Subpart F of the Code. This classification would effect many complex results one of which is the inclusion of certain income of a CFC which is subject to current U.S. tax. The United States generally taxes a United States shareholder of a CFC currently on their pro rata shares of the Subpart F income of the CFC. Such U.S. shareholders are generally treated as having received a current distribution out of the

CFC's Subpart F income and are also subject to current U.S. tax on their pro rata shares of the CFC's earnings invested in U.S. property. The foreign tax credit described above may reduce the U.S. tax on these amounts. In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a U.S. Holder of common shares of the Company who is or was a United States shareholder at any time during the five-year period ending with the sale or exchange is treated as ordinary income to the extent of earnings and profits of the Company attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to United States shareholders of the CFC. This rule generally will be effective for taxable years of United States shareholders beginning after 1997 and for taxable years of foreign corporations ending with or within such taxable years of United States shareholders. Special rules apply to United States shareholders who are subject to the special taxation rules under Section 1291 discussed above with respect to a PFIC. Because of the complexity of Subpart F, and because it is not clear that Subpart F would apply to U.S. Holders of common shares of the Company, a more detailed review of these rules is outside of the scope of this discussion.

**F.**

**DIVIDENDS AND PAYING AGENTS**

Not Applicable.

**G.**

**STATEMENT BY EXPERTS**

Not Applicable.

**H.**

**DOCUMENTS ON DISPLAY**

The documents referred to in this Form 20-F may be viewed at the Company's office located at 3647 Cortez Road West, Bradenton, Florida 34219.

**I.**

**SUBSIDIARY INFORMATION**

Not Applicable.

**Item 11:**

**Quantitative and Qualitative Disclosures About Market Risk**

Information for this Item is set forth in Note 20 to the 2010 audited Consolidated Financial Statements under Item 17 hereof.

**Item 12:**

**Description of Securities Other than Equity Securities**

Not Applicable.

**PART II**

**Item 13.**

**Defaults, Dividend Arrearages and Delinquencies**

Not Applicable.

**Item 14.**

**Material Modifications to the Rights of Security Holders and Use of Proceeds**

Not Applicable.

**Item 15.**

**Controls and Procedures**

*Disclosure Controls and Procedures.* Intertape Polymer Group Inc. ( Intertape Polymer Group or the Company ) maintains disclosure controls and procedures designed to ensure not only that information required to be disclosed in its reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, but also that information required to be disclosed by Intertape Polymer Group is accumulated and communicated to management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. The Chief

Executive Officer and Chief Financial Officer of Intertape Polymer Group conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting as of December 31, 2010. They concluded based on such evaluation that the Company's disclosure controls and procedures were effective.

*Management's Annual Report on Internal Control Over Financial Reporting.* Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company's financial reporting as well as the preparation of financial statements for external reporting purposes in accordance with Canadian generally accepted accounting principles, including a reconciliation of accounting principles generally accepted in the United States of America.

Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2)



provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, and even when determined to be effective, can only provide reasonable assurance with respect to financial statements preparation and presentation. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of completeness with policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as at December 31, 2010 based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management has concluded that the Company's internal control over financial reporting was effective as at December 31, 2010 based on those criteria.

The Company's independent auditors, Raymond Chabot Grant Thornton LLP, audited the financial statements included in this annual report containing the disclosure required by this Item and has issued an attestation report on management's assessment of the Company's internal control over financial reporting which is included in Item 17 of this Form 20-F.

*Changes in Internal Control Over Financial Reporting.* There have been no changes in Intertape Polymer Group's internal control over financial reporting that occurred during 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 16:**

[RESERVED]

**Item 16A:**

**Audit Committee Financial Expert**

The Board of Directors of Intertape has determined that it has at least one audit committee financial expert serving on its audit committee. Mr. George J. Bunze, having been the Chief Financial Officer of Kruger Inc., and having the attributes set forth in Paragraph 16A(b) of the General Instructions to Form 20-F, has been determined to be an audit committee financial expert. Further, Mr. Bunze is independent as that term is defined by the Toronto Stock Exchange and Sarbanes-Oxley Act.

The Securities and Exchange Commission has stated that the designation of Mr. Bunze as an audit committee financial expert does not make him an expert for any purpose, including, without limitation, for purposes of Section 11 of the Securities Act of 1933. Further, such designation does not impose any duties, obligations or liability on Mr. Bunze greater than those imposed on members of the audit committee and Board of Directors not designated as an audit committee financial expert, nor does it affect the duties, obligations or liability of any other member of the audit committee or Board of Directors.

#### **Item 16B:**

##### **Code of Ethics**

Intertape has adopted a code of ethics entitled Intertape Polymer Group Inc. Code of Business Conduct and Ethics , which is applicable to all of its employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, and all persons performing similar functions. During the 2010 fiscal year, Intertape did not amend its Code of Business Conduct and Ethics and did not grant a waiver from any provision of its Code of Business Conduct and Ethics. Intertape will provide, without charge, to any person upon written or oral request, a copy of its Code of Business Conduct and Ethics. Requests should be directed to Burgess H. Hildreth, Intertape Polymer Group Inc., 3647 Cortez Road West, Bradenton, Florida 34210. Mr. Hildreth may be reached by telephone at (941) 739-7500.

#### **Item 16C:**

##### **Principal Accountant Fees and Services**

The following table sets forth the fees billed for professional services rendered by Raymond Chabot Grant Thornton LLP, Chartered Accountants, Intertape's independent auditors, for the fiscal years ended December 31, 2010 and December 31, 2009:

|                    | <b>Year ended December 31,</b> |                  |
|--------------------|--------------------------------|------------------|
|                    | <b>2010</b>                    | <b>2009</b>      |
| Audit Fees         | 1,010,902                      | 1,196,589        |
| Audit-Related Fees | 39,643                         | 129,515          |
| Tax Fees           | 248,776                        | 243,656          |
| All Other Fees     | -----                          | -----            |
| <b>Total Fees</b>  | <b>1,299,321</b>               | <b>1,569,760</b> |

*Audit Fees.* Audit fees were for professional services rendered for the audits of Intertape's consolidated financial statements and internal control over financial reporting, assisting its Audit Committee in discharging its responsibilities for the review of the Company's interim consolidated financial statements and services that generally only the independent auditor can reasonably provide, such as consent letters and assistance and review of documents filed with the Securities and Exchange Commission and Canadian securities regulatory authorities.

*Audit-Related Fees.* Audit-related fees were for assurance and related services that are reasonably related to the performance of the audit or review of Intertape consolidated financial statements and are not reported under the caption "Audit Fees" above. These services included consultations concerning financial accounting and reporting standards.

*Tax Fees.* Tax fees were for tax compliance, tax advice and tax planning. These services included the preparation of the Canadian subsidiaries' income tax returns, assistance with questions regarding tax audits from the various taxation authorities in Canada and tax planning relating to common forms of domestic and international taxation.

*All Other Fees.* All other fees were for services provided other than the audit fees, audit-related fees and tax fees described above. No such fees have been billed in the last two years.

Intertape's Audit Committee pre-approves all audit engagement fees and the terms of all significant permissible non-audit services provided by independent auditors.

#### **Item 16D:**

#### **Exemptions From the Listing Standards for Audit Committee**

Not Applicable.

**Item 16E:**

**Purchase of Equity Securities by the Issuer and Affiliated Purchasers**

Not Applicable.

**Item 16F:**

**Change In Registrant's Certifying Accountant.**

Not Applicable.

**Item 16G:**

**Corporate Governance**

National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* set out a series of guidelines for effective corporate governance. The guidelines address matters such as the composition and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. Each reporting issuer, such as the Company, must disclose on an annual basis and in prescribed form, the corporate governance practices that it has adopted. The following is the Company's required annual disclosure of its corporate governance practices.

**1.**

**Board of Directors**

(a)

*Disclose the identity of directors who are independent.*



The Board of Directors considers that Robert M. Beil, George J. Bunze, Jorge N. Quintas, Robert J. Foster and Torsten A. Schermer are independent within the meaning of Multilateral Instrument 52-110 *Audit Committees*.

(b)

*Disclose the identity of directors who are not independent, and describe the basis for that determination.*

The Board of Directors considers that Melbourne F. Yull, Gregory A. Yull and Eric E. Baker are not independent within the meaning of National Instrument 52-110 *Audit Committees*. Mr. Melbourne F. Yull was the Executive Director of the Company and is associated with Sammana Group Inc., which entered into a support services agreement with the Company. Mr. Gregory A. Yull is the Chief Executive Officer of the Company, and Mr. Baker is a shareholder, director and senior officer of Altacap II Inc., which has entered into a support services agreement with the Company.

(c)

*Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.*

The Board of Directors considers that five of the eight directors are independent within the meaning of National Instrument 52-110 *Audit Committees*. Accordingly, a majority of the Board of Directors is independent. In addition, all three members of the Audit Committee of the Board of Directors are independent directors. The members of the Audit Committee are George J. Bunze (Chairman), Robert J. Foster and Torsten A. Schermer. If necessary, the independent members of the Board of Directors can meet without the presence of the non-independent directors.

(d)

*If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.*

The following directors are currently directors of other issuers that are reporting issuers (or the equivalent) in a jurisdiction of Canada or a foreign jurisdiction:

| <b>Name of Director</b> | <b>Issuer</b>     |
|-------------------------|-------------------|
| George J. Bunze<br>(e)  | Stella-Jones Inc. |

*Disclose whether or not the independent directors hold regularly-scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.*

The independent directors do not hold regularly-scheduled meetings at which non-independent directors and members of management are not in attendance. If necessary, the independent directors can hold such meetings.

(f)

*Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.*

Eric E. Baker, the Chairman of the Board of Directors, is not an independent director. The Board of Directors has not appointed a lead director. In each of their respective areas, the chairman of the Audit Committee and Compensation Committee provide leadership for the independent directors.

(g)

*Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.*

During the period from January 1, 2010 through December 31, 2010, the Board of Directors held seven (7) meetings. Attendance of directors at the foregoing meetings is set out in the table below.

| <b><u>Board Member</u></b>      | <b><u># of Meetings<br/>Attended</u></b> |
|---------------------------------|--|
| Melbourne F. Yull               | 7  |
| Eric E. Baker                   | 7  |
| Jorge N. Quintas                | 6  |
| George J. Bunze                 | 7  |
| Torsten A. Schermer             | 7  |
| Robert M. Beil                  | 7  |
| Robert J. Foster <sup>(1)</sup> | 2  |
| Gregory A. Yull <sup>(2)</sup>  | 2  |

(1) Mr. Robert J. Foster was appointed to the Board on June 8, 2010.

(2) Mr. Gregory A. Yull was appointed to the Board on August 2, 2010.

## **2.**

### **Board Mandate**

*Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.*

The mandate of the Board is to supervise the management of the business and affairs of the Company, including the development of major policies and strategies and the identification of the risks of the Company's business and the implementation of the appropriate systems to manage these risks. The formal mandate of the Board is as follows:

#### **MANDATE OF THE BOARD OF DIRECTORS OF THE CORPORATION**

The mandate of the Board of Directors is to supervise the management of the business and affairs of the Corporation, including the development of major policies and strategies and the identification of the risks of the Corporation's business and implementation of the appropriate systems to manage these risks.



The Board of Directors has the responsibility for:

1.

Executive/Senior Management

1.1

Selecting, appointing, evaluating and (if necessary) terminating the Chief Executive Officer.

1.2

Succession planning, including appointing, training and monitoring the performance of senior management.

1.3

Approving the compensation of the senior management team and the remuneration of the Board of Directors.

2.

Business Strategy/Plans/Budgets

2.1

The development of major policies and strategies of the Corporation, as well as the approval of strategic plans and the monitoring of the Corporation's performance against plans.

2.2

Approving annual capital and operating plans and monitoring performance against those plans.

2.3

Approving all material amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy which diverge from the ordinary course of business.

3.

Finance

3.1

Approving dividend distributions to the Corporation's shareholders, if any.

4.

Audit/Risk Management

4.1

Establishing policies and processes to identify business risks and ensure that systems and actions are in place to manage such risks.

4.2

Recommending the appointment of the external auditors to the shareholders at their annual meeting.

4.3

Approving external auditor scope of work and fees for annual audits and the scope of work and fees of any non-audit related projects or engagements.

4.4

Approving the quarterly and annual financial statements, the quarterly and annual Management's Discussion and Analysis and the related news releases.

4.5

Establishing policies and processes to ensure the integrity of the Corporation's internal control and management information systems.

5.

#### Corporate Governance

5.1

Providing appropriate orientation for new Directors.

5.2

Assessing, on an annual basis, the effectiveness of the Board as a whole, as well as periodically evaluating the contribution of individual members of the Board.

5.3

Approving a process for communication with the Corporation's shareholders.

5.4

Approving the nominees as Directors for election to the Board of Directors at the annual meeting of shareholders.

5.5

Establishing committees of the Board of Directors and approving their Chair, their respective mandates and the limits of authority delegated to each of these committees.

5.6

Monitoring compliance with the Corporation's Code of Conduct and Business Ethics.

5.7

Establishing an effective process of corporate governance consistent with applicable regulatory requirements.

\* \* \* \* \*

3.

**Position Description**

(a)

*Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.*

The position description of the Chairman of the Board of Directors is as follows:

The Chairman of the Board of Directors of the Company has the responsibility for:

(i)

Providing leadership to the Board of Directors.

(ii)

Overseeing its effectiveness and ensuring that it meets its obligations and responsibilities.

(iii)

Monitoring and coordinating the functions of the Board of Directors with management of the Company.

(iv)

Chairing all Board of Directors and shareholders meetings.

(v)

Ensuring that adequate advance information is distributed to the Directors and that the Board of Directors receives regular updates on all issues important to the affairs of the Company.

(vi)

Meeting with members of the Board of Directors and each Board of Directors committee to ensure full utilization of individual capacities and the optimum performance of the Board of Directors and each of its committees.

(vii)

Reviewing progress made by management of the Company in executing the Board of Directors decisions and plans in conformity with the Company's policies.

(viii)

Being available to provide counsel to management of the Company on major policy issues such as an acquisitions, divestitures and financial structure.

(ix)

Participating in external activities involving the representation of the Company to its major stakeholders, including its shareholders, the financial community, governments and the public.

(x)

At the request of the Board of Directors, undertaking specific assignments for the Board of Directors.

(b)

*Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.*

The Company's Chief Executive Officer was appointed by the Board on June 8, 2010. The position description for the Chief Executive Officer, as previously adopted by the Board of Directors, is set forth below.

The Chief Executive Officer of the Company has the responsibility for:

(i)

Directing the business and affairs of the Company by establishing, deploying and actuating a strategic plan, as well as operating plans/budgets as approved by the Board of Directors.

(ii)

Setting objectives for the Company consistent with the aforementioned strategic plan.

(iii)

Providing strategic directions to the management of the Company so that the Company may achieve expected results.

(iv)

Determining and directing the overall objectives, policies and operating plans, both long- and short-term, of the Company in accordance with the Board of Directors' mandate.

(v)

Subject to Board of Directors' approval, developing and monitoring the various research and development programs consistent with the strategy of the Company.

(vi)

Ensuring that the Company has in place proper guidelines to provide for efficient, safe and long-term operations with focus on product quality. Ensuring that resources are made available to enact or to exceed such guidelines.

(vii)

Analyzing the operating results of the organization and its principal components and ensuring appropriate steps are taken to address significant/material areas of concern affecting the Company's balance sheet, assets, operating results, liabilities or risks of the business.

(viii)

Ensuring that the Board of Directors receives sufficient, timely information on all material aspects of the Company's operations.

(ix)

Ensuring that a carefully-designed organization is in place and that the support provided to such organization is consistent with the strategy and objectives of the Company.



(x)

Reviewing and recommending the employment or termination of all senior management personnel for Board of Directors approval.

(xi)

Actively assisting in the recruitment, training, development and retention of personnel within the Company in order to provide for the future management of the Company.

(xii)

Evaluating the performance of the senior management of the Company.

(xiii)

Monitoring the Company's compliance with current regulatory and disclosure rules.

(xiv)

Exploring opportunities for the Company's growth, either through investment and/or acquisitions, as well as dispositions of unproductive or non-strategic assets.

(xv)

Acting as a member of the Board of Directors.

(xvii)

Building the corporate profile with the public and with investor communities, including with analysts who follow the Company.

(xviii)

Identifying business risks and outlining plans to manage or mitigate such risks.

(xix)

Maintaining contact with other industry participants and government officials at senior levels.

(xx)

Ensuring that the appropriate information and disclosure are being provided to the shareholders of the Company.

**4.**

#### **Orientation and Continuing Education**

(a)

*Briefly describe what measures the board takes to orient new directors regarding*

(i)

*the role of the board, its committees and its directors, and*

(ii)

*the nature and operation of the issuer's business.*

Upon a director's election or appointment to the Board, the director receives all of the various corporate governance documents that have been adopted by the Company. Additionally, the director participates in meetings with members of management of the Company, is given a tour of certain of the Company's operational facilities and is briefed on the strategic policies and strategic direction of the Company.

(b)

*Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.*

The Company relies on the fact that each director has had considerable prior corporate experience and that each director has the necessary expertise to serve as an effective director of the Company. While the Company has no formal process currently in place to provide for the continuing education of its directors, various members of senior management of the Company report to the Board on an informal and formal basis regularly in order to keep the directors up-to-date on various matters concerning the business and affairs of the Company. Counsel to the Company in both the United States and Canada is also available to advise the Board of Directors on new developments in relevant areas of the law.

**5.**

**Ethical Business Conduct**

(a)

*Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:*

(i)

*disclose how a person or company may obtain a copy of the code*

The Company's Code of Business Conduct and Ethics (the Code of Conduct) applies to each of the Company's directors, officers and employees. A copy of the Code of Conduct is available under the Company's company profile on SEDAR at [www.sedar.com](http://www.sedar.com).

(ii)

*describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code.*

All directors, officers and employees of the Company are strongly encouraged to discuss all issues with appropriate personnel at the Company in cases where they suspect that a potential breach of the Code of Conduct may have occurred. Any waiver of a provision of the Code of Conduct for executive officers or directors of the Company may be made only by the Board or a committee thereof and will be promptly disclosed as required by law or by the regulations of the Toronto Stock Exchange. To the knowledge of the directors and officers of the Company, there has not been any instance of departure from the Code of Conduct within the last twelve months. Persons who violate the standards set out in the Code of Conduct will be subject to disciplinary action.

The Code of Conduct is provided to each employee of the Company at the time of his or her commencement of employment, as well as to each director and officer of the Company at the time of his or her election or appointment. The Code of Conduct covers a variety of subject matters that are related to proper business conduct and ethics, including conflicts of interest, discrimination and harassment in the work place, the health and safety of employees, confidentiality obligations and insider-trading prohibitions. Compliance with these subject matters is ultimately monitored by the Board in different ways depending on the specific matter in question.

For example, as concerns insider trading, at the designated time during each financial quarter, a member of the Board instructs management to inform the Company's personnel in writing when the regular trading black-out period begins and ends. Further, members of the Board are also involved when a decision has to be made as to whether an additional trading black-out period is warranted in the event that certain material information may be accessible by the Company's personnel prior to its divulgation to the public.

As concerns matters such as discrimination and harassment and the health and safety of employees, it is the Company's supervisors and managers who are responsible for regularly monitoring such matters. These managers prepare written reports dealing with these matters on a regular basis. The reports are then reviewed by members of senior management, who are responsible for bringing any specific concerns to the attention of the Board.

Section 14 of the Code of Conduct sets out that employees are to discuss any compliance matters or concerns with a supervisor or manager or, if they prefer, to discuss them with Shutts & Bowen LLP, the Company's U.S. legal counsel. The Company's supervisors and managers and counsel at Shutts & Bowen LLP, as the case may be, each have ready access to the Board.

(iii)

*provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.*

There are no such reports.

*(b)*

*Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.*

Under the *Canada Business Corporations Act*, to which the Company is subject, a director or officer of the Company must disclose to the Company, in writing or by requesting that it be entered in the minutes of meetings of the Board of Directors, the nature and extent of any interest that he or she has in a material contract or material transaction, whether made or proposed, with the Company, if the director or officer: (a) is a party to the contract or transaction; (b) is a director or an officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or (c) has

a material interest in a party to the contract or transaction. Subject to limited exceptions set out in the *Canada Business Corporations Act*, the director cannot vote on any resolution to approve the contract or transaction.

Further, it is the policy of the Company that an interested director or officer recuse himself or herself from the decision-making process pertaining to a contract or transaction in which he or she has an interest.

(c)

*Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.*

In 2007, the Audit Committee established the Whistle Blower Policy and Procedures as part of the Code of Conduct. The purpose of the Whistle Blower Policy and Procedures is to provide a means by which accounting and audit-related complaints can be handled by the Audit Committee, thus providing an anonymous method by which employees can report, if any, questionable accounting, internal accounting controls, and auditing matters which would constitute a violation of the Company's accounting policies, without fear of retaliation against good-faith whistleblowers.

**6.**

#### **Nomination of Directors**

(a)

*Describe the process by which the board identifies new candidates for board nomination.*

The Nominating & Governance Committee identifies and recommends to the Board, when appropriate, skill sets and individuals who could add value to the Board.

(b)

*Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.*

The members of the Nominating & Governance Committee are Eric E. Baker, Robert M. Beil, and George J. Bunze. The Nominating & Governance Committee is not composed entirely of independent directors, inasmuch as Eric E. Baker is not an independent director. The majority of the members of the Nominating & Governance Committee, however, are independent, as is a majority of the members of the Board, ensuring any candidate recommended to the Board by the Nominating & Governance Committee is approved by a majority of independent members of the Nominating & Governance Committee and the Board.

(c)

*If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.*

The members of the Nominating & Governance Committee are appointed by the Board annually. The charter of the Nominating & Governance Committee is as follows:

**NOMINATING & GOVERNANCE COMMITTEE CHARTER**

1.

**PURPOSE**

The Nominating & Governance Committee (the Committee) of Intertape Polymer Group Inc. (the Corporation) is a committee appointed by the Board of Directors (the Board), whose primary function is to assist the Board in fulfilling its applicable responsibilities to the Corporation, its shareholders, and others by:

(a)

assessing on an annual basis the effectiveness of the Board as a whole as well as evaluating periodically the contribution of individual Board members;

(b)

identifying individuals qualified to become Board members and recommending to the Board new nominees for appointment to the Board for the next annual meeting of the shareholders;

(c)

providing appropriate orientation to new directors;

(d)

recommending to the Board director nominees for each committee;

(e)

recommending to the Board the Corporate Governance Guidelines applicable to the Corporation (the Guidelines ); and

(f)

reviewing and advising the Board at least annually as to corporate governance issues.

2.

### COMPOSITION AND MEETINGS

(1)

The Committee shall consist of such Directors as are determined by the Board (but in no event shall the Board consist of fewer than three or more than eleven members). Until otherwise required by law or the rules of an exchange, only a majority of the members shall be unrelated directors (as defined by The Toronto Stock Exchange) and shall meet the independence requirements of the New York Stock Exchange. In addition, each member of the Committee shall be required to review and become fully familiar with the Guidelines and this Charter.

(2)

The members of the Committee and its Chairman shall be appointed by the Board on an annual basis, or until their successors are duly appointed. Unless a Chair is elected by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee Membership.

(3)

The Committee shall meet at least twice a year or more frequently as circumstances require. The Committee may ask members of management or others to attend meetings or to provide information as necessary. The Committee shall have full access to all information it deems appropriate for the purpose of fulfilling its role. In addition, the Committee may, if authorized by the Board, retain the services of outside experts to the extent required.

(4)

A quorum for the transaction of business at any meeting of the Committee shall be a majority of the members of the Committee or such greater number as the Board or Committee shall by resolution determine.

(5)

Meetings of the Committee shall be held from time to time, as any Committee member may request upon 48 hours notice to each of the members. The notice period may be waived by all members of the Committee. Each of the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Committee call a meeting.

3.

ROLE

(1)

The Committee shall make regular reports to the Board, including the prompt submission to the Board of minutes of all Committee meetings.

(2)

The Committee shall provide to the Board a timely summary of its composition and activities for insertion in the Corporation's annual report.

(3)

The Committee shall annually review this Charter and recommend to the Board any proposed changes.

(4)

The Committee should, as necessary or appropriate, establish qualifications for directors and procedures for identifying possible nominees who meet these criteria.

(5)

The Committee should analyze the needs of the Board when vacancies arise on the Board and identify and recommend to the Board nominees who meet such needs.

(6)

The Committee shall review, on a periodic basis, the size and composition of the Board and ensure that an appropriate number of unrelated and independent directors sit on the Board.

(7)

The Committee may, if authorized by the Board, obtain the advice and assistance from legal, accounting or other advisors.

(8)

The Committee shall assess (i) at least annually, the effectiveness of the Board as a whole and the other Board committees, and (ii) at least every three (3) years, the contribution and qualification of individual directors, including making recommendations where appropriate that a sitting director be removed or not reappointed.



(9)

The Committee should provide orientation or information as requested to new directors.

(10)

The Committee shall review with the Board the Committee's judgment as to the quality of the Corporation's governance and the sufficiency of the Guidelines and suggest changes to the Guidelines as determined appropriate.

(11)

Notwithstanding the foregoing and subject to applicable law, nothing contained in this Charter is intended to require the Committee to ensure the Corporation's compliance with applicable laws or regulations.

The Committee is a committee of the Board and as such is not, and shall not be, deemed to be an agent of the Corporation's shareholders for any purpose whatsoever. The Board may, from time to time, permit minor departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to security holders of the Corporation or other liability whatsoever.

\* \* \* \* \*

7.

## **Compensation**

(a)

*Describe the process by which the board determines the compensation for the issuer's directors and officers.*

This discussion describes the Company's compensation program for each person who acted as Chief Executive Officer (CEO) and Chief Financial Officer (CFO) and the three most highly-compensated executive officers (or three most highly-compensated individuals acting in a similar capacity), other than the CEO and CFO, whose total compensation was more than \$150,000 in the Company's last financial year (each a Named Executive Officer or NEO and collectively, the Named Executive Officers). This section addresses the Company's philosophy and objectives and provides a review of the process that the Compensation Committee follows in deciding how to compensate the Named Executive Officers.

### *Compensation Program Philosophy*

The Company's executive compensation philosophy and program objectives are directed primarily by two guiding principles. First, the program is intended to provide competitive levels of compensation, at expected levels of performance, in order to attract, motivate and retain talented executives. Second, the program is intended to create an alignment of interest between the Company's executives and shareholders so that a significant portion of each executive's compensation is linked to maximizing shareholder value. In support of this philosophy, the executive compensation program is designed to reward performance that is directly relevant to the Company's short-term and long-term success. The Company attempts to provide both short-term and long-term incentive compensation that varies based on corporate and individual performance.

Three primary components comprise the Company's compensation program. They are basic salary, annual incentive bonuses based on performance, and long-term stock options granted pursuant to the Company's Executive Stock Option Plan ( ESOP ). Each element of compensation fulfills a different role in attracting, retaining and motivating qualified executives and employees with the expertise and skills required in the business of the Company, who can effectively contribute to its long-term success and objectives. The following discussion describes the Company's executive compensation program by component of compensation and discusses how each component relates to the Company's overall executive compensation objective. In establishing the executive compensation program, the Company believes that:

(a)

base salaries provide an immediate cash incentive for the Company's Named Executive Officers and should be at levels competitive with peer companies that compete with the Company for business opportunities and executive talent;

(b)

annual incentive bonuses encourage and reward performance over the financial year compared to predefined goals and objectives and reflect progress toward company-wide performance objectives and personal objectives; and

(c)

stock options ensure that the Named Executive Officers are motivated to achieve long-term growth of the Company and continuing increases in shareholder value, and provide capital accumulation linked directly to the Company's performance.

The Company places equal emphasis on base salary and stock options as short-term and long-term incentives, respectively. Annual incentive bonuses are related to performance and may form a greater or lesser part of the entire compensation package in any given year.

*Purpose*

The Company's executive compensation program has been designed to accomplish the following long-term objectives:

(a)

create a proper balance between building shareholder wealth and competitive executive compensation while maintaining good corporate governance;

(b)

produce long-term, positive results for the Company's shareholders;

(c)

align executive compensation with corporate performance and appropriate peer-group comparisons; and

(d)

provide market-competitive compensation and benefits that will enable the Company to recruit, retain and motivate the executive talent necessary to be successful.

*Compensation Process*

The Compensation Committee administers the Company's compensation program in accordance with the mandate set out in the Compensation Committee's charter, which has been adopted by the Board of Directors of the Company (the Board). Part of the mandate is to evaluate and recommend to the Board compensation policies and programs for the Company's directors, executive officers and senior management, including option grants under the ESOP described below. The Compensation Committee has the authority to retain compensation consultants to assist in the evaluation of director, chief executive officer and senior executive compensation.

The Compensation Committee is appointed by the Board and is currently composed of three directors, that is, Robert M. Beil (Chairman), Torsten A. Schermer and Jorge N. Quintas, none of whom is or has been at any previous time an employee of the Corporation or any of its subsidiaries.

(b)

*Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.*

The Compensation Committee is composed entirely of independent directors within the meaning of National Instrument 52-110 *Audit Committees*. The members of the Compensation Committee are Robert M. Beil (Chairman) and Torsten A. Schermer and Jorge N. Quintas.

(c)

*If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.*

See Item (a) above.

(d)

*If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.*

During the fiscal year ended December 31, 2010, the Board did not retain the services of a compensation consultant or advisor.

**8.**

**Other Board Committees**

*If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.*

The only committee of the Board other than the Audit Committee, Compensation Committee and Nominating Committee is the Executive Committee, which is comprised of Eric E. Baker and Melbourne F. Yull. The function of the Executive Committee is to provide strategic direction for the Company.

**9.**

**Assessments**

*Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.*

All directors are, from time to time, required to complete a director's questionnaire designed to assist the Board in assessing each director, the Board as a whole, and each Committee of the Board. The results of these assessments are discussed at a meeting of the Board.

**PART III**

**Item 17.**

**Financial Statements**

The Consolidated Financial Statements required under Item 17 of this Form 20-F are attached hereto immediately following the text of this Annual Report.

**Item 18.**

**Financial Statements**

Not Applicable.

**Item 19.**

**Exhibits**

The Amended and Restated Consolidated Financial Statements and the following exhibits are filed as part of this Annual Report on Form 20-F and are incorporated herein by reference.

**A.**

**Financial Statements**

- Management's Responsibility for Financial Statements
- Management's Report on Internal Control over Financial Reporting
- Independent Auditor's Report
- Independent Auditors' Report on Internal Control over Financial Reporting
- Financial Statements
- Consolidated Earnings
- Consolidated Comprehensive Income (Loss)
- Consolidated Shareholders' Equity
- Consolidated Cash Flows

Consolidated Balance Sheets

Notes to Consolidated Financial Statements

**B.**

**Exhibits:**

- 1.1 Articles of Amalgamation as amended incorporated herein by reference to Exhibit 3.3 to S-4 filed October 26, 2004, File No. 333-119982-26
- 1.2 General By-law 2003-1 incorporated herein by reference to Exhibit 3.4 to S-4 filed October 26, 2004, File No. 333-119982-26
- 4.1 Amended Executive Stock Option Plan incorporated herein by reference to S-8 filed July 5, 2006, File No. 333-135599
- 4.2 Purchase Agreement, Registration Rights Agreement and Indenture incorporated herein by reference to the Registration Statement filed on October 26, 2004 as Registration No. 333-119982 as amended on *www.sec.gov* in the United States
- 4.3 Loan and Security Agreement filed under 6-K on May 8, 2008, Film No. 08813597
- 8.1 A list of all of Intertape's significant subsidiaries is set forth in Item 4C of this Form 20-F.
- 10.1 During 2010, Intertape was not required to send its directors and executive officers notices pursuant to Rule 104 of Regulation BTR concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR. Intertape's blackout periods are regularly scheduled and a description of such periods, including their frequency and duration and plan transactions to be suspended or affected are included in the documents under which Intertape's plans operate and is disclosed to employees before enrollment or within thirty (30) days thereafter.
- 12.1 Certification of the Chief Executive Officer required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a))
- 12.2 Certification of the Chief Financial Officer required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a))
- 13.1 Certification of the Chief Executive Officer required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
- 13.2 Certification of the Chief Financial Officer required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
- 14.1 Audit Committee Charter incorporated herein by reference
- 15.1 Consent of Independent Registered Public Accounting Firm





**SIGNATURES**

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Intertape Polymer Group Inc.

By: /s/ Gregory A.C. Yull

Gregory A.C. Yull, Chief Executive Officer

Dated March 30, 2011

## **EXHIBIT 14.1 to Form 20-F**

### **INTERTAPE POLYMER GROUP INC.**

#### **AUDIT COMMITTEE CHARTER**

##### **CHARTER**

The Audit Committee of the Board of Directors (the "Board") of Intertape Polymer Group Inc. (the "Company") will be responsible for assisting the Board in carrying out its duties and responsibilities relating to corporate accounting policies, financial reporting and procedures, and the quality and integrity of the financial reports of the Company. The external auditors are ultimately accountable to the Board and the Audit Committee, as representatives of the shareholders. The Audit Committee, subject to any action that may be taken by the Board, shall have the ultimate authority and responsibility to select and nominate for shareholder approval, evaluate and, as deemed appropriate, recommend to the shareholders the removal of the external auditors. The Audit Committee shall be responsible for overseeing the independence of the external auditors.

In discharging its role, the Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company. The Audit Committee shall have the authority to retain special legal, accounting or other consultants to advise the Audit Committee for this purpose.

##### **COMMITTEE MEMBERSHIP**

The Audit Committee shall consist of no fewer than three directors. The members of the Audit Committee shall meet the independence and experience requirements of the Sarbanes-Oxley Act, the New York Stock Exchange, and The Toronto Stock Exchange.

The members of the Audit Committee shall be appointed annually by the Board on the recommendation of the Nominating & Governance Committee. Audit Committee members may be replaced by the Board.

## **COMMITTEE AUTHORITY AND RESPONSIBILITIES**

The Audit Committee shall have the sole authority to recommend to the shareholders the appointment or replacement of the external auditors, and shall approve all audit engagement fees and terms and all significant non-audit engagements with the external auditors. The Audit Committee shall consult with management but shall not delegate these responsibilities.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Audit Committee may form and delegate authority to subcommittees when appropriate.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting or other consultants to advise the Committee. The Audit Committee may request any officer or employee of the Company or the Company's legal counsel or external auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Audit Committee shall meet with management and the external auditors in separate executive sessions at least quarterly.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall annually review the Audit Committee's own performance.

The Audit Committee, to the extent it deems necessary or appropriate, shall:

## FINANCIAL STATEMENT AND DISCLOSURE MATTERS

1.

Review and discuss with management and the external auditors the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 20-F and Annual Report to Shareholders.

2.

Review and discuss with management and the external auditors the Company's quarterly financial statements prior to their filing and publication, including the results of the external auditors' reviews of the quarterly financial statements.

3.

Discuss with management and the external auditors significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements.

4.

Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.

5.

Discuss with management and the external auditors the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

6.

Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

7.

Discuss with the external auditors the matters required to be discussed by auditing standards relating to the conduct of the audit. In particular, discuss:

(a)

The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the external auditors or management.

(b)

The management letter provided by the external auditors and the Company's response to that letter.

(c)

Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

#### **OVERSIGHT OF THE CORPORATION'S RELATIONSHIP WITH THE EXTERNAL AUDITORS**

8.

Review the experience and qualifications of the senior members of the external auditors' team.

9.

Obtain and review a report from the external auditors at least annually regarding (a) the auditors' internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the external auditors and the Company. Evaluate the qualifications, performance and independence of the external auditors, including considering whether the auditor's quality controls are adequate and the provision of non-audit services is compatible with maintaining the auditors' independence, and taking into account the opinions of management. The Audit Committee shall present its conclusions to the Board and, if so determined by the Audit Committee, recommend that the Board take additional action to satisfy itself of the qualifications,

performance and independence of the auditors.

10.

Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the lead audit partner or even the external auditing firm itself on a regular basis.

11.

Recommend to the Board policies for the Company's hiring of employees or former employees of the external auditors who were engaged on the Company's account.

12.

Determine from the audit team of the external auditors any professional matters dealt with at the national office level of the external auditors.

13.

Meet with the external auditors prior to the audit to discuss the planning and staffing of the audit.

#### **OVERSIGHT OF THE CORPORATION'S INTERNAL AUDIT FUNCTION**

14.

Review and discuss with management and the external auditors the appropriateness of having a senior internal auditing executive.

15.

If a senior internal auditing executive is appointed, review the significant reports to management prepared by the internal auditing department and management's responses.

#### **COMPLIANCE OVERSIGHT RESPONSIBILITIES**

17.

Obtain from the external auditors assurance that Section 10A of the Securities Exchange Act of 1934 has been complied with.

18.

Obtain reports from management, the Company's senior internal auditing executive if one is appointed and the external auditors that the Company and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements and the Corporation's Code of Business Conduct and Ethics. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations and with the Corporation's Code of Business Conduct and Ethics.



19.

Discuss with management and the external auditors any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Corporation's financial statements or accounting policies.

20.

Discuss with the Corporation's legal counsel matters that may have a material impact on the financial statements or the Corporation's compliance policies.

#### **LIMITATION OF AUDIT COMMITTEE'S ROLE**

While the Audit Committee has the responsibilities and powers set forth herein, it is not the duty of the Committee to prepare the Corporation's financial statements, to plan or conduct audits of those financial statements, or to determine that those financial statements are complete and accurate and in accordance with generally accepted accounting principles in Canada or any other country. This is the responsibility of the Corporation's management and the external auditors. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the external auditors or to assure compliance with applicable laws and regulations.

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