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INTERTAPE POLYMER GROUP INC

Form 6-K

August 30, 2001

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Intertape Polymer Group Inc. -  
3647 Cortez Road West, Bradenton, Florida, U.S.A. 34210 -  
Tel: (941) 727-5788 - Fax: (941) 727-5293

[LOGO - intertape polymer group(TM)]

Form 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer  
Pursuant to Rule 13a - 16 or 15d - 16 of  
the Securities Exchange Act of 1934

Intertape Polymer Group Inc. 2001 Second Quarterly Report

Intertape Polymer Group Inc.

110E Montee de Liesse, St. Laurent, Quebec, Canada, H4T 1N4

(Indicate by check mark whether the registrant files or will file  
quarterly reports under cover Form 20-F or Form 40-F

Form 20-F  Form 40-F

(Indicate by check mark whether the registrant by furnishing the information  
contained in this Form is also thereby furnishing the information to the  
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

(If "Yes" is marked, indicate below the file number assigned to the registrant  
in connection with Rule 12g3-2(b):

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the  
registrant has duly caused this report to be signed on its behalf by the  
undersigned, hereunto duly authorized.

Intertape Polymer Group Inc.

August 29, 2001

By: /s/ Angela Massaro-Fain

-----  
Angela Massaro-Fain  
Advertising and Investor Relations Manager  
Intertape Polymer Group Inc.

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2001

SECOND  
QUARTERLY  
REPORT

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Intertape  
Polymer  
Group Inc.

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SECOND QUARTERLY REPORT

SAFE HARBOR STATEMENT

The business, financial condition, results of operations, cash flows and prospects, and the prevailing market price and performance of the Company's common stock, may be adversely affected by a number of factors, including the matters discussed below. Certain statements and information set forth in this Quarterly Report as well as other written or oral statements made from time to time by the Company or by our authorized executive officers on our behalf, constitute "forward-looking statements" within the meaning of the United States Federal Private Securities Litigation Reform Act of 1995. The Company intends for its forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the United States Federal Private Securities Litigation Reform Act of 1995, and it sets forth this statement and these risk factors in order to comply with such safe harbor provisions. The reader should note that the Company's forward-looking statements speak only as of the date of this Quarterly Report or when made and IPG undertakes no duty or obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise. Although Management believes that the expectations, plans, intentions and projections reflected in its forward-looking statements are reasonable, such statements are subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The risk, uncertainties and other factors that IPG's stockholders and prospective investors should consider include, but are not limited to, the following: the packaging industry is cyclical and is sensitive to changing economic conditions; the Company is in the midst of an industry and general economic slowdown that could materially adversely impact the Company's financing business; risks associated with pricing, volume and continued strength of markets where the Company's products are sold; the Company's ability to successfully integrate the operations and information systems of acquired companies with its existing operations, and information system, including risks and uncertainties relating to its ability to achieve projected earnings estimates, achieve administrative and operating cost savings and anticipated synergies; and the effect of competition on the Company's ability to maintain margins on existing or acquired operations.

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SECOND QUARTERLY REPORT 2001

MANAGEMENT'S DISCUSSION & ANALYSIS

REVIEW OF OPERATIONS

SALES

Net sales declined 15.6% or \$26.0 million for the three month period ended June 30th 2001 as compared to the same period in 2000; and 10.9% or \$36.5 million for the comparable six month periods. Approximately one-half of the second quarter sales decline was experienced during April. Commencing with the fourth quarter

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of 2000, the Company began to see a decline in orders for all its markets. This slowdown has been confirmed by both the Company's suppliers and its major customers. Since May, the Company has been maintaining an order rate that would imply that the economy has perhaps leveled off. In addition, the strength of the US\$ has made the commodity side of export markets unattractive and consequently, Management decided to withdraw from some of these markets. While revenue derived during both the three months and six months ended June 2001 include those of United Tape (UTC), these revenues are offset by both the loss of sales to a competitor in the retail market as well as sales to UTC which are no longer considered as third party sales. Prior to the acquisition of UTC, the Company sold to UTC as one of its retail distribution customers.

Management is of the opinion that revenue for the year should be approximately 7% to 9% lower than that of 2000. The economy continues to be unpredictable. However, the Company has implemented various programs to increase market share. One of these is the Regional Distribution Center (RDC) strategy. As at June 30th, all five RDCs are operational and order fulfillment rates have increased throughout the product line. The RDCs will provide a significant value added to IPG. Combined with the most diverse offering of packaging products and a wide variety of new products, the RDCs should bring about an increase in volume in North America.

### GROSS PROFIT AND GROSS MARGINS

Gross margins declined 3.8% to 20.5% for the quarter ended June 30, 2001 and declined 0.9% for the six month period. Value added (the difference between the cost of a pound of raw material as compared to the selling price of a pound of product) have remained steady for the quarter and six months. The decline in revenue experienced during the second quarter negatively impacted the Company's ability to maintain gross margins and gross profit. During January 2001, Management announced cost reduction programs of approximately \$12.0 million which was followed up with a further reduction of approximately \$9.0 million. Management believes it generally requires three fiscal quarters to realize the full benefit of these reductions. As a result, the second quarter gross profit and margins were marginally improved by the January announced cuts. Management believes that the first quarter of 2002 will be the first quarter that the full effect of all cost reductions will be realized.

### SELLING, GENERAL AND ADMINISTRATION EXPENSES

Selling, general and administration (SG&A) costs were \$18.1 million for the second quarter of 2001 as compared to \$17.9 million for the same period last year; and were \$39.3 million and \$37.9 million for the six month period 2001 and 2000 respectively. SG&A for 2001 include those of UTC which was acquired during the third quarter of 2000. The SG&A costs of UTC are approximately \$2.0 million per quarter.

### OPERATING PROFITS

For the second quarter, operating profits were \$10.9 million or 7.7% of sales as compared to \$22.8 million or 13.6% for the same quarter last year. The six month comparisons are \$28.5 million and 9.4% compared to \$41.0 million and 12.1%. The decline in operating profits is as a direct result of the decline in sales.

### EARNINGS BEFORE INTEREST, TAXES AND DEPRECIATION AND AMORTIZATION COSTS (EBITDA).

Adjusted for the effect of non recurring items as highlighted in the

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Consolidated Earnings Statement, EBITDA for the second quarter of 2001 was \$16.3 million as compared to \$27.5 million for the same period last year; and were \$39.2 million and \$55.8 million for the comparable six month periods. The decline in EBITDA is as a direct result of lower sales volume.

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2001 SECOND QUARTERLY REPORT

MANAGEMENT'S DISCUSSION & ANALYSIS

### EARNINGS

Earnings before income taxes and non-recurring items were \$0.2 million for the second quarter of 2001 as compared to \$13.2 million for the same period last year; and were \$6.5 million and \$22.6 million for the comparable six month periods. The decline in earnings was mostly the result of the effect of lower sales volume; an increase in amortization of goodwill costs related to the acquisition of UTC, and an increase in financial costs both related to the addition debt to acquire the assets of UTC as well as an increase in interest rate spreads.

### EARNINGS PER SHARE (EPS) - CANADIAN GAAP

For the second quarter of 2001, basic and fully diluted EPS were a loss of \$0.10 as compared to \$0.34 for the same period last year; and were \$0.05 for the six months ended June 2001 as compared to \$0.72 last year. After taking into account the various non recurring items, the second quarter results for both basic and fully diluted EPS are \$0.00 for 2001 as compared to \$0.34 last year; and \$0.17 for the six months ended June 2001 as compared to \$0.72 for the same period last year.

### LIQUIDITY AND CAPITAL RESOURCES

#### CHANGES IN CASH FLOW

#### SECOND QUARTER 2001 COMPARED TO 2000

Cash from operations before the funding of changes in working capital was \$5.6 million for 2001 as compared to \$19.8 million last year. Working capital contributed an additional \$9.3 million for 2001 as compared to a consumption of (\$18.4 million) last year. This is a change in working capital of \$27.7 million when comparing the two quarters. An overall increase in account payables and accrued liabilities contributed \$29.3 of this change. Inventory reductions contributed a further \$5.1 million. This strong increase in funds from working capital was partially eroded by an increase in accounts receivables of \$6.2 million and an increase in prepaid costs of \$0.5 million.

#### SIX MONTHS ENDED JUNE 2001 COMPARED TO 2000

Cash from operations before the funding of changes in working capital was \$18.0 million for 2001 as compared to \$42.7 million last year. Working capital contributed an additional \$10.0 million for 2001 as compared to a consumption (\$36.5 million) last year. This is a change in working capital of \$46.5 million when comparing the two six month periods. An overall increase in account payables and accrued liabilities contributed \$23.3 of this change and a decrease in accounts receivables contributed \$19.5 million. Inventory reductions contributed a further \$2.9 million. Finally, there was an increase in prepaid

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costs of \$0.8 million.

The net inventory reduction of \$5.1 million was accomplished by a decrease in raw material level of \$8.1 million less an increase in finished goods on \$3.0 million. The increase in finished goods was required to stock the new RDC's during the period. Management anticipates that finished goods will be reduced by approximately \$10.0 by the end of the year and that raw material inventory should see a further reduction of \$2.0 million.

### CAPITAL EXPENDITURES

Capital expenditures were \$5.5 million for the second quarter of 2001 and \$17.7 million year to date as compared to \$12.5 million for the second quarter of 2000 and \$20.4 for the six months last year. The level of expenditures during the second quarter of 2001 reflects a planned slow down in capital spending. The Company has sufficient capacity and the current economy does not require that the Company further expand this capacity. The expenditures during the first half of 2001 were required to complete projects started in 2000 and new equipment to make certain facilities more productive and assist in overall efficiencies. Management anticipates capital expenditures to be approximately \$6.0 million for the balance of the year. During the second quarter of 2001, the Company sold and leased back an asset for \$8.0 million.

### OTHER FINANCING ACTIVITIES

During the second quarter, the Company repaid a Senior Unsecured Note in the amount of \$8.0 million and reduced its overall bank borrowings by \$8.8 million. This bank debt reduction was accomplished through the use of internally generated funds.

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2001 SECOND QUARTERLY REPORT

MANAGEMENT'S DISCUSSION & ANALYSIS

### CREDIT FACILITIES

During July, the Company accepted a term sheet provided by the company's bankers. The term sheet provides for three facilities as follows: a \$50.0 million revolving line of credit for a period of one year extendable annually at the option of the banks and, if not extended, converting to a one year term loan with a \$50.0 million payment due at the expiration of the term; a \$40.0 million term loan repayable over six quarters ending December 31st 2002; and a \$60.0 million four year term loan with semi-annual payments commencing eighteen months after funding.

Proceeds of these three facilities will be used to repay all bank indebtedness outstanding at the time of closing of the facility which is anticipated to be approximately \$121 million. Interest rates on the three facilities will initially be 395 bps over Libor, and will be adjusted downwards in the event certain financial thresholds are achieved. The Company currently pays 395 bps over Libor on most of its bank facilities. The first facility contemplates the issuance of security on receivables and inventory to a maximum of \$50.0 million; the second and third facilities will provide that security issued thereunder be shared rateably between the holders of the Company's Senior Unsecured Notes and the Company's bankers. It is currently contemplated that such security will be in the form of a lien against all other assets of the Company. Until such closing, the Company's present facilities remain in place.

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2001 SECOND QUARTERLY REPORT

CONSOLIDATED EARNINGS  
AND RETAINED EARNINGS  
(Unaudited/Using Canadian GAAP)

CONSOLIDATED EARNINGS  
(In thousands of U.S. dollars; except per share amounts)

FOR THE PERIOD ENDED JUNE 30, -----	THREE MONTHS		SIX MONTHS	
	2001	2000	2001	2000
	\$	\$	\$	\$
SALES	141,265	167,231	300,128	336,58
Cost of sales	112,249	126,513	232,339	257,63
GROSS PROFIT	29,016	40,718	67,789	78,95
	20.5%	24.3%	22.6%	23.
Selling, general and administrative expenses	18,090	17,891	39,258	37,92
Amortization of goodwill	1,797	1,522	3,540	3,07
Research and development	1,198	1,409	2,366	2,73
Financial expenses	7,736	6,652	16,172	12,64
	28,821	27,474	61,336	56,37
Severances	2,000	--	2,690	--
Start-up of Regional Distribution Centers	2,300	--	2,300	--
Gain on sale of interest in joint venture	--	--	--	(5,50)
	33,121	27,474	66,326	50,87
Earnings (loss) before income taxes	(4,105)	13,244	1,463	28,08
Income taxes (recovery)	(1,392)	3,707	--	7,86
NET EARNINGS (LOSS) FOR THE PERIOD	(2,713)	9,537	1,463	20,22
EARNINGS (LOSS) PER SHARE				
CDN GAAP -- Basic	(0.10)	0.34	0.05	0.7
CDN GAAP -- Diluted	(0.10)	0.33	0.05	0.7
COMMON SHARES				
Average number of shares outstanding				
CDN GAAP -- Basic	28,199,535	28,297,621	28,109,576	28,294,75
CDN GAAP -- Diluted	27,304,725	28,716,590	28,363,604	28,785,86

CONSOLIDATED RETAINED EARNINGS  
(In thousands of U.S. dollars)

FOR THE PERIOD ENDED JUNE 30,

THREE MONTHS

SIX MONTHS

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	2001	2000	2001	2000
	\$	\$	\$	\$
Retained earnings -- beginning of period	120,985	98,992	116,966	88,422
Net earnings (loss) for the period	(2,713)	9,537	1,463	20,222
Premium on purchase for cancellation of common shares	--	--	(157)	(111)
Dividends paid	--	--	(3,006)	(3,000)
RETAINED EARNINGS -- END OF PERIOD	118,272	105,523	118,272	105,522

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2001 SECOND QUARTERLY REPORT

CONSOLIDATED CASH FLOWS  
AND RETAINED EARNINGS  
(Unaudited/Using Canadian GAAP)

FOR THE PERIOD ENDED JUNE 30,

	THREE MONTHS		SIX MONTHS	
	2001	2000	2001	2000
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss) for the period	(2,713)	9,537	1,463	20,222
Non-cash items				
Depreciation and amortization	8,516	7,554	16,556	15,066
Deferred income taxes (recovery)	(192)	2,708	--	5,777
Write-off of capital assets	--	--	--	1,600
CASH FROM OPERATIONS BEFORE FUNDING OF CHANGES IN NON-CASH WORKING CAPITAL ITEMS	5,611	19,799	18,019	42,665
Changes in non-cash working capital items				
Trade and other receivables	(7,860)	(1,623)	(1,927)	(21,477)
Inventories and parts and supplies	4,980	(115)	4,453	1,555
Prepaid expenses	1,224	1,723	1,007	222
Accounts payable and accrued liabilities	10,928	(18,399)	6,499	(16,811)
CASH FLOWS FROM OPERATING ACTIVITIES	14,883	1,385	28,051	6,162
<b>INVESTING ACTIVITIES</b>				
Capital assets and construction in progress, net of investment tax credits	(5,450)	(12,546)	(17,736)	(20,411)
Proceed on sale of capital assets	8,000	--	8,000	4,250
Other assets	(750)	(866)	(1,980)	20,272
CASH FLOWS FROM INVESTING ACTIVITIES	1,800	(13,412)	(11,716)	4,111
<b>FINANCING ACTIVITIES</b>				

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Net change in bank indebtedness	(8,819)	20,019	(6,216)	(1,533)
Repayment of long-term debt	(8,425)	50	(8,972)	(78)
Issue of common shares	839	43	853	12
Common shares purchased for cancellation	--	--	(923)	(25)
Dividends paid	--	(3,006)	--	(3,000)
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES	(16,405)	17,106	(15,258)	(5,466)
	=====	=====	=====	=====
NET INCREASE IN CASH DURING THE PERIOD	278	5,079	1,077	4,811
Effect of foreign currency translation adjustments	(278)	(1,230)	(1,077)	(96)
	-----	-----	-----	-----
CASH POSITION, BEGINNING OF PERIOD	--	--	--	--
	=====	=====	=====	=====
CASH POSITION, END OF PERIOD	--	3,849	--	3,849
	=====	=====	=====	=====

INTERTAPE POLYMER GROUP (TM)

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2001 SECOND QUARTERLY REPORT

CONSOLIDATED BALANCE SHEET  
In thousands of U.S. dollars  
(unaudited / Using Canadian GAAP)

	AS AT JUNE 30,		AS AT DECEMBER 31,
	2001	2000	2000
	-----	-----	-----
	\$	\$	\$
<b>ASSETS</b>			
Current assets			
Cash	-	3,849	-
Trade receivables	101,479	106,949	97,478
Other receivables	9,425	15,055	11,659
Inventories	83,333	84,799	89,264
Parts and supplies	11,369	10,301	10,069
Prepaid expenses	5,114	3,987	6,114
Future income tax assets	10,776	11,085	10,810
	-----	-----	-----
	221,496	236,025	225,394
Capital assets and construction in progress	373,287	352,488	374,753
Other assets	9,299	9,925	10,636
Goodwill, at amortized cost	231,651	215,066	234,257
	-----	-----	-----
TOTAL ASSETS	835,733	813,504	845,040
	=====	=====	=====
<b>LIABILITIES</b>			
Current liabilities			
Bank indebtedness	121,059	51,271	127,333
Accounts payable and accrued liabilities	86,262	69,607	79,811
Installments on long-term debt	1,377	10,152	9,532
	-----	-----	-----
	208,698	131,030	216,676
Long-term debt	275,865	326,682	276,684



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Other liabilities	4,500	14,697	4,500
Future income tax liabilities	37,419	42,903	37,538
	-----	-----	-----
TOTAL LIABILITIES	526,482	515,312	535,398
	=====	=====	=====
SHAREHOLDERS' EQUITY			
Capital stock and share purchase warrants	186,990	185,145	186,908
Retained earnings	118,272	105,523	116,966
Accumulated foreign currency translation adjustments	3,989	7,524	5,768
	-----	-----	-----
TOTAL SHAREHOLDERS' EQUITY	309,251	298,192	309,642
	-----	-----	-----
TOTAL LIABILITY AND SHAREHOLDERS' EQUITY	835,733	813,504	845,040
	=====	=====	=====

[ INTERTAPE POLYMER GROUP (TM) ]

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 Second Quarterly Report 2001

Notes to Financial Statements  
 In thousands of U.S. dollars; except per share amounts.  
 (Unaudited) / Using Canadian GAAP

NOTE 1.  
 BASIS OF PRESENTATION

In the opinion of Management, the accompanying unaudited, interim consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles, contain all adjustments necessary to present fairly Intertape Polymer Group Inc.'s (IPG) financial position for the three month and six month periods ended June 30, 2001 and 2000 and December 31, 2000 as well as its results of operations and its cash flow for the three month and six month periods ended June 30, 2001 and 2000.

While Management believes that the disclosures presented are adequate, these unaudited interim consolidated financial statements and notes should be read in conjunction with IPG's annual consolidated financial statements.

These unaudited interim consolidated financial statements and notes follow the same accounting policies as the most recent annual consolidated financial statements.

NOTE 2.  
 ACCOUNTING CHANGES

Effective December 1, 2000, IPG has adopted the Canadian Institute of Chartered Accountants recommendations related to the accounting for earnings per share. The recommendations require the application of the treasury stock method for the calculation of the dilutive effect of stock options and other dilutive securities. In accordance with the provisions of the new recommendations, IPG has restated the diluted earnings per share for comparative periods.

During the first quarter of 2001, IPG has adopted retroactively the Canadian Institute of Chartered Accountants recommendations on the presentation of the interim financial statements. The new recommendations require minimal disclosures including the basis of presentation. These new recommendations also require a comparative balance sheet established as of December 31st.

NOTE 3.

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### EARNINGS PER SHARE

The following table provides a reconciliation between basic and diluted earnings per share:

In Thousands of US Dollars  
Earnings (loss) per Share

FOR THE PERIODS ENDED JUNE 30,	THREE MONTHS		SIX MONTHS	
	2001	2000	2001	2000
	\$	\$	\$	\$
Net earnings (loss) applicable to common shares	(2,713)	9,537	1,463	20,221
Weighted average number of common shares outstanding	28,120	28,298	28,110	28,295
Effect of dilutive stock options and warrants(a)	--	419	254	491
Weighted average number of diluted common shares outstanding	28,120	28,717	28,364	28,786
Basic earnings (loss) per share	(0.10)	0.34	0.05	0.72
Diluted earnings (loss) per share	(0.10)	0.33	0.05	0.70

(a) Diluted earnings per share is calculated by adjusting outstanding shares, assuming any dilutive effects of stock options and warrants. For the three month period ended June 30, 2001, the effect of stock options and warrants were not included, as the effect would be anti-dilutive.

#### NOTE 4. SEVERANCES

A further 8% reduction in the Company's overall workforce was implemented during June 2001. As at June 30, 2001, virtually all of the notifications had been given to employees and 88% of the reduction was effective. Of the total cost of the program, \$2.0 million is charged to the three month period ended June 30, 2001 and \$.69 million relates to the three month period ended March 31, 2001. As at June 30, 2001, a provision of \$1.5 million in respect of a program of workforce reduction was reflected in the consolidated accounts payable and accrued liabilities.

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In thousands of U.S. dollars; except per share amounts.  
(Unaudited) / Using Canadian GAAP

### NOTE 5.

#### BANK INDEBTEDNESS AND LONG-TERM-DEBT

During July, the Company accepted a term sheet provided by the Company's bankers. The term sheet provides for three facilities as follows:

- o a \$50.0 million revolving line of credit for a period of one year extendable annually at the option of the banks and, if not extended, converting to a one year term loan with a \$50.0 million payment due at the expiration of the term;
- o a \$40.0 million term loan repayable over six quarters ending December 31st 2002;
- o and a \$60.0 million four year term loan with semi-annual payments commencing eighteen months after funding.

Proceeds of these three facilities will be used to repay all bank indebtedness outstanding at the time of closing, of approximately \$121.0 million. Interest rates on the three facilities will initially be 395 bps over Libor, and will be adjusted downwards by as much as 300bps in the event certain financial thresholds are achieved. The Company currently pays 395 bps over Libor on most of its bank facilities. The term sheet contemplates that certain security will be granted to the Banks and the Senior Unsecured Noteholders. In the event that certain financial thresholds are achieved, the security will be released.

### NOTE 6.

#### DIFFERENCES IN ACCOUNTING BETWEEN THE UNITED STATES OF AMERICA AND CANADA

##### A) RE-PRICING OF STOCK OPTIONS

The re-pricing of stock options that occurred in January 2001 has resulted, under US GAAP, in variable plan accounting for the re-priced options. Under US GAAP, the Company would have recorded a non-cash charge of \$2.6 million in the three month period ended June 30, 2001, which would have no tax consequence for the Company at this point, to reflect the changes in the market price of the common shares.

Accordingly, the Company's net loss, basic loss per share and diluted loss per share would have been increased by \$2.6 million, \$0.09 and \$0.10 respectively for the three month period ended June 30, 2001 and net earnings, basic earnings per share and diluted earnings per share would have been reduced by \$2.6 million, \$0.09 and \$0.09 respectively for the six months ended June 30, 2001 and there would be no impact for the three month and six month periods ended June 30, 2000.

##### B) NEW ACCOUNTING PRONOUNCEMENTS

Over the past several months, the Financial Accounting Standards Board approved the issuance of SFAS No. 141, "Business Combinations" and SFAS 142, "Goodwill and Other Intangible Assets". The new standards require that all business combinations initiated after June 30, 2001 must be accounted for under the purchase method. In addition, all intangible assets acquired that are obtained through contractual or legal right, or are capable of being separately sold,

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transferred, licensed, rented or exchanged shall be recognized as an asset apart from goodwill. Goodwill and intangibles with indefinite lives will no longer be subject to amortization, but will be subject to at least an annual assessment for impairment by applying a fair value based test.

The Company will continue to amortize goodwill existing at June 30, 2001 under its current method until January 1, 2002. Thereafter, annual and quarterly goodwill amortization will no longer be recognized. The impact of this change cannot be determined with certainty at this time. By June 30, 2002, the Company will perform a transitional fair value based impairment test and if the fair value is less than the recorded value at January 1, 2002, the Company will recognize an impairment loss in the March 31, 2002 quarter, as a cumulative effect of a change in accounting principle.

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