

**CANAM**  
**GROUP**

Better Building Solutions

Canam Group Inc.

# Annual Information Form

Fiscal year ended December 31, 2009



March 15, 2010

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## ITEM 1 - INCORPORATION

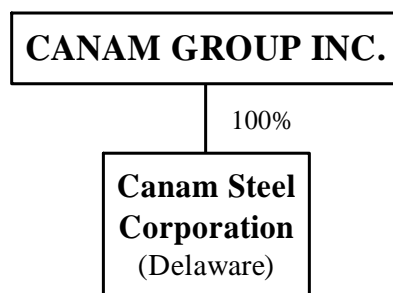
### 1.1 The Company

Canam Group Inc. is the result of the amalgamation, on January 1, 1997, of The Canam Manac Group Inc. and its subsidiary, Gestion 11535 Inc., under Part IA of the *Companies Act* (Quebec). On January 1, 2005, The Canam Manac Group Inc. changed its name to Canam Group Inc. (the Company).

The head office of the Company is located at 11535, 1<sup>re</sup> Avenue, bureau 500, Saint-Georges (Québec) G5Y 7H5.

### 1.2 Subsidiaries

The following flowchart describes the Company as well as its principal subsidiary, Canam Steel Corporation, its only subsidiary whose assets represent 10% or more of the Company's consolidated assets as at December 31, 2009 or whose operating revenue represents more than 10% of the Company's consolidated operating revenue. The flowchart presents the jurisdiction of incorporation of Canam Steel Corporation and the percentage of voting rights held as at December 31, 2009.



## ITEM 2 - GENERAL BUSINESS DEVELOPMENT

Unless the context or wording indicates otherwise, (i) Canam Group Inc. and its subsidiaries are hereinafter collectively designated as the “Company”, and (ii) all dollar amounts referred to in this document are in Canadian dollars.

### 2.1 General Profile

#### *Overview*

The Company is involved in the design, manufacture and sale of construction products and services for the commercial, industrial, institutional, multi-residential and infrastructure construction industries. The Company operates 12 plants, including six in Canada and six in the United States, and employed 2,476 people as at December 31, 2009. Its revenues come from a wide range of customers located primarily in North America.

### *Brief Description of Operations*

The Company carries out its business directly or through its subsidiaries. The Company's sector of activity is divided into a number of business units, each accounting for a different set of products or services, except for CANAM INTERNATIONAL which groups all the fabrication operations outside Canada and the United States: CANAM CANADA – Joists, Steel Deck and Murox Building Systems, CANAM UNITED STATES – Joists and Steel Deck, STRUCTAL-HEAVY STEEL CONSTRUCTION, STRUCTAL-BRIDGES, HAMBRO – Residential Building Systems, TECHNYX – Technical Outsourcing Services and Business Information Modeling (BIM) Support Services, and CANAM INTERNATIONAL. The activities of the Company are carried out in Canada by the Company and in the United States by Canam Steel Corporation (Canam Steel). In the United States, Canam Steel also operates VERTISPACE mezzanine systems.

CANAM CANADA is the largest manufacturer of steel joists in Canada, while CANAM UNITED STATES is an important steel joist fabricator in the United States. The Company supplies the North American market with an extensive range of construction products and services, including steel joists and steel deck, under the Canam name. The Company's products and services are used extensively by structural steel fabricators in industrial, institutional, commercial and multi-residential construction. CANAM CANADA's product offerings include prefabricated building envelope systems intended for the commercial, industrial and institutional construction markets and sold under the MUROX trademark.

STRUCTAL-HEAVY STEEL CONSTRUCTION designs and fabricates heavy structural steel components and supplies structural steel for many major North American construction projects, including sports complexes, convention centres, industrial complexes, airport facilities and office towers.

STRUCTAL-BRIDGES manufactures bridges and welded beams for the North American market. Structural-Bridges also designs and manufactures structural bearings and expansion joints marketed under the Goodco Z-Tech name for the highway and bridge infrastructure market.

HAMBRO designs and manufactures residential building systems primarily for the multi-storey residential market in North America.

TECHNYX provides, from its offices in Canada, Romania, India and China, drafting services to the Company's business units as well as technical drafting outsourcing services and Building Information Modeling (BIM) support services to third parties, mainly steel product fabricators located in North America and France.

CANAM INTERNATIONAL manages the Company's investments outside Canada and the United States, that is, minority interests in steel product fabrication companies in Saudi Arabia, China, the United Arab Emirates and France. These interests enable the Company to export its know-how by partnering with local entrepreneurs who already have expertise in the construction product sector. The Company also receives royalties in return for transferring its technology and know-how to these and other companies.

In addition to the products offered through its business units, the Company manufactures and sells VERTISPACE products, namely mezzanine systems. These products are intended for the commercial, industrial and institutional markets and are sold in the United States.

## **2.2 Developments Over the Last Three Fiscal Years**

The following events and conditions have affected the general development of the business over the last three fiscal years.

On May 30, 2007, the Company, through a wholly-owned subsidiary, completed the acquisition of 49% of the share capital of United Steel Structures Ltd. (USSL), a company that operates a heavy structural steel and bridge fabrication plant in Guangzhou, China. The majority shareholder of USSL is Guangzhou Shipyard International Co. Ltd., a Chinese company with 51% of the share capital. USSL serves the international markets for heavy structural steel and bridges. USSL has an annual production capacity of 40,000 tons. The Company's 49% interest was acquired from Havens Steel Company (Havens) at an auction held under the supervision of the U.S. bankruptcy court in connection with Havens' bankruptcy proposal under Chapter 11 of Title 11 (Bankruptcy) of the *United States Code* and at which the Company was the highest bidder at US\$9,200,000. This transaction provides the Company with a venue for additional production capacity, allowing it to take advantage of economic activity in North America, and may eventually give the Company's value-added products access to the Chinese market.

On July 17, 2007, Canam Steel acquired the majority of the assets of Eastern Bridge, LLC of Claremont, New Hampshire, specialized in the fabrication of steel structures for highway and railway bridges. This purchase of assets was made for a consideration of US\$4,900,000 (\$5,151,000). This acquisition was part of the Company's strategy to increase its presence in the U.S. bridge market and to participate in projects that were only available to bridge manufacturers with manufacturing operations in the United States (pursuant to the *Buy American Act*). In 2009, Canam Steel exercised an option to purchase the Eastern Bridge fabrication plant, which it had been leasing until then.

### Event Subsequent to the Financial Period - FabSouth Transactions

On December 21, 2009, the Company, through a wholly-owned subsidiary, acquired a 15% interest in FabSouth, LLC (FabSouth) and a 15% interest in FS Real Estate Holdings, LLC (FSREH) from Winston Towers 1988, Inc., a business controlled by the Chairman of the Board and Chief Executive Officer of the Company. The price paid by the Company in December 2009 was US\$11,250,000 (\$11,940,750) plus or minus, as the case may be, an amount equal to 15% of the difference between the value of the working capital as at December 31 2009, and US\$20,000,000. This transaction was concluded under the same financial conditions as those offered by the Company to the other members of FabSouth and FSREH as part of discussions that took place in the fall of 2009 regarding the purchase of an interest in these companies, which offer was refused by the principal members of these companies. On December 31, 2009, as part of a transaction between certain members of FabSouth and FSREH, the Company purchased an additional 1.6666% interest in FSREH for a consideration of US\$83,000 (\$88,000).

FabSouth operates six structural steel fabrication plants in Florida, North Carolina and Georgia which primarily serve markets in the southeastern and eastern central parts of the United States. In fiscal years 2007, 2008 and 2009, FabSouth's annual sales averaged more than US\$325,000,000. This company has approximately 500 employees. FabSouth specializes in the design, fabrication and erection of structural steel products for the commercial, industrial and institutional markets. Unlike the Company, FabSouth takes on few major structural steel projects, and the projects it takes do not exceed 5,000 tons. The buildings used for FabSouth's activities are held by FSREH. FabSouth's activities complement those of the Structural – Heavy Steel Construction business unit.

The table below lists where the FabSouth plants are located, the products fabricated at each of the plants and their respective production capacities, where applicable.

<b>PLANT LOCATION</b>	<b>PRODUCTS/PURPOSE</b>	<b>CAPACITY (TONS)</b>
Winston Salem, North Carolina (two plants)	Structural steel Miscellaneous steel products, including stairs and handrails	35,000 5,000
Kinston, North Carolina	Structural steel	20,000
Atlanta, Georgia	Structural steel	25,000
Daytona Beach, Florida	Structural steel	17,000
Fort Lauderdale, Florida	Structural steel and erection	20,000

On February 23, 2010, the Company, through a wholly-owned subsidiary, signed a definitive agreement to purchase an additional 65% membership interest in FabSouth and an additional 63.3334% membership interest in FSREH. The transaction is subject to regulatory approvals in the United States, under the rules prescribed by of the *Hart-Scott-Rodino Antitrust Improvements Act of 1976*. Once these approvals are obtained, the Company's interest in FabSouth and FSREH shall increase to 80%. The purchase price totaled US\$65,000,000 with a working capital of US\$30,000,000 as at February 23, 2010. As part of this transaction, the Company also undertook to purchase the remaining membership interests in FabSouth and FSREH, that is, 20% in each of these companies over a three-year period, for an aggregate amount ranging between US\$15,000,000 and US\$25,000,000 based on EBITDA for fiscal years 2010, 2011 and 2012.

FabSouth will continue to operate under the FabSouth tradename.

### **2.3 Strategy**

The Company is involved in the design, fabrication and sale of construction products and services. It is divided into seven business units: (a) CANAM CANADA – Joists, Steel Deck, and Murox Building Systems; (b) CANAM UNITED STATES – Joists and Steel Deck; (c) STRUCTAL-HEAVY STEEL CONSTRUCTION; (d) STRUCTAL-BRIDGES (e) HAMBRO - Residential Building Systems; (f) TECHNIX – Technical Outsourcing Services and Building Information Modeling (BIM) Outsourcing Support Services; and (g) CANAM INTERNATIONAL.

The Company's strategy is to:

- (i) maintain and consolidate its position in the markets it dominates by pursuing a dynamic policy of customer satisfaction, continuous product development and efficient manufacturing operations;
- (ii) capitalize on its design, fabrication and marketing expertise and its role as integrator in the North American construction market in order to grow and profitably develop the Canam, Structal, Hambro, Murox, MuroxEnergy, Goodco Z-Tech, Technyx, InteliBuild and VertiSpace brand products and services;
- (iii) penetrate new markets by introducing value-added products and services and thereby reduce the Company's dependence on its existing products, while increasing its revenues and profitability; and
- (iv) pursue its positioning in emerging international markets by securing interests in companies involved in the fabrication of construction products.

Canam Canada and Canam United States want to be recognized as the best designers and fabricators of steel joists and structural steel components in the North American construction industry through their flexibility, the quality of their products and their exceptional service. In Canada, Canam Canada's coverage of a broad territory, its rapid delivery and its technical expertise have led to the signing of agreements on a national scale with companies operating in the retail business. In the United States, Canam United States focuses its activities on complex projects requiring a greater number of work hours per ton of steel, thus distinguishing itself from its main competitors, which are integrated fabricators operating steel mills.

In the heavy steel construction sector, Structal's business strategy is to focus on complex, highly engineered projects such as sports complexes, convention centres, office towers, industrial complexes and airport facilities. The Company's ability to provide these specialized products has made it a supplier of choice for several major construction projects throughout North America.

In the steel bridge sector, Structal intends to maintain its leadership role in Canada and to be recognized and perceived as a major bridge manufacturer in the United States, while gradually expanding its range of products and services in order to raise its profile among bridge designers and manufacturers.

Hambro has a good reputation with respect to real estate developers in the markets it serves. The Company intends to capitalize on its good reputation to increase its North American market penetration.

Like Hambro products, Murox Building Systems are value-added products that complement the Company's other construction products. In the coming years, the Company intends to expand its sales coverage and to pursue the development of new applications, such as energy-efficient buildings and new exterior finishes for its products. By combining Murox Building Systems with its other construction products, the Company is able to offer a comprehensive structural and building envelope solution and to assume the role of steel product integrator.

Technyx relies on a highly educated and specialized workforce based in Romania and India to offer technical outsourcing services and Business Information Modeling (BIM) support services to the commercial, multi-residential and industrial construction sectors in the Company's traditional geographic markets. Through IntelliBuild Technyx Asia Limited, a corporation in which the Company has a 51% interest, the Company is in a position to extend its BIM support services to customers in other geographic markets, such as Asia and the Middle East.

Through Canam International, the Company exports its know-how by acquiring minority interests in companies involved in the fabrication of steel construction products outside Canada and the United States. The Company seeks to partner with companies that are actively involved in the construction product sector, that are well-established in their respective markets and that have the experience necessary to manage manufacturing and marketing activities in a given territory. Some of these companies and others located outside Canada and the United States pay royalties for the right to utilize the Company's know-how.

### **ITEM 3 - DESCRIPTION OF OPERATIONS**

#### **3.1 General Profile**

##### Products and Services

The Company designs, fabricates and markets a wide range of steel components and steel construction products under the Canam name. These products include joists, roof trusses, beams, columns, steel deck and cold-formed sections.

The Company designs and fabricates heavy structural steel components under the Structural name for bridges and major construction projects. The Structural-Bridges business unit designs and fabricates structural bearings and expansion joints, marketed under the Goodco Z-Tech name, for the bridge and highway infrastructure construction markets.

The Company designs and fabricates specialized construction product systems that complement its range of steel products. These specialized products are offered under different brand names: Murox or MuroxEnergy building systems, Hambro residential building systems and VertiSpace mezzanine systems. Each of these products represents less than 10% of the Company's total sales.

The Company's products are distributed mainly through its sales and distribution network, which serves all of Canada and the United States.

The construction product market is subject to the same cycles as non-residential construction. However, the Hambro business unit, whose products are used in residential construction, is subject to the same cycles as residential construction. GDP and population growth tend to be leading indicators of demand for construction products.

### Plants

The Company operates 12 plants in Canada and the United States. These plants are operated by the Company and its subsidiary Canam Steel. The Company owns its plants.

The following table lists the plant locations, the products fabricated in each plant and their respective production capacities, where applicable.

<b>PLANT LOCATION</b>	<b>PRODUCTS/PURPOSE</b>	<b>CAPACITY (TONS)</b>
Boucherville, Quebec	Steel deck, cold-formed sections, purlins and girts	65,000
Calgary, Alberta	Joists, girders, steel deck and Hambro joists	40,000
Claremont, New Hampshire	Bridges, structural steel components and welded beams	12,500
Jacksonville, Florida	Joists, steel deck, Hambro joists and the VertiSpace mezzanine system	60,000
Laval, Quebec	Structural bearings and expansion joints and related products for bridges and other structures	n/a
Mississauga, Ontario	Joists, girders and steel deck	60,000
Point of Rocks, Maryland	Joists, structural steel components, bridges, steel deck, and the VertiSpace mezzanine system	60,000
Quebec City, Quebec	Bridges, structural steel components and welded beams	25,000
St. Gédéon de Beauce, Quebec	Joists, girders, Hambro joists, Murox systems, structural steel components and major bridges	115,000
Sunnyside, Washington (two plants)	Joists, structural steel components, bridges, steel deck, Hambro joists and VertiSpace mezzanine system	40,000 12,000
Washington, Missouri	Joists, structural steel components and the VertiSpace mezzanine system	40,000

### Raw Material

Raw material, depending on the type of product, represents between 35% and 50% of the cost of sales incurred by Canam, Structural-Heavy Steel Construction and Structural-Bridges. Steel is the main raw material used and its cost is based on supply and demand in the international market. The significant tonnage of steel utilized by the Company allows it to purchase raw material at competitive rates. The Company relies on several suppliers for its steel requirements and is not dependent on one specific supplier. When possible, the Company protects itself against steel price increases in the course of fulfilling contracts for the projects it undertakes by including price adjustment clauses in its bids or contracts.

### Recent Performance

The favourable economic cycle in the North American non-residential construction sector that began during the last quarter of 2004 was followed by a slowdown in 2009 in Canada, even though certain geographic markets performed better than others. In the United States, the slowdown that began during the fourth quarter of 2007 intensified in 2009. The economic downturn in North America caused Canam Canada, Canam United States, Murox and Hambro sales in 2009 to drop below the 2008 level. The decline in sales was more pronounced in the United States.

The Structural-Bridges business unit continued to enjoy steady growth due to the strong demand for bridge products in 2009 and the Company's increased production capacity for these products.

In 2009, the Structural-Heavy Steel Construction business unit completed the fabrication of the structural steel required for the stadium and arena projects that began in 2007 and 2008. In 2010, the Company will begin fabrication for the roof of the Florida Marlins' baseball stadium and for the roof of BC Place in Vancouver, British Columbia. These two projects will be completed in 2011.

In response to low U.S. demand for joists and steel deck and strong demand in the infrastructure sector, the Company decided to diversify and consolidate its operations in the United States. As a result, structural steel production lines were added to the Point of Rocks, MD and Sunnyside, WA plants. The Point of Rocks plant also produces bridge components and welded beams. These combined efforts allow the Company to build on its production facilities and qualified workforce.

#### 3.1.1 CANAM – Joists, Steel Deck and Murox Building Systems

Steel joists are key components that support the roof and floor of commercial and industrial buildings. They are typically used in the construction of one and two-storey buildings such as stores, warehouses, shopping malls, schools and churches. Joists are manufactured in a variety of shapes and sizes and are customized to meet building requirements. Large steel joist fabricators such as Canam also supply steel deck used as complementary roofing and flooring components installed on top of the joists.

#### Geographic Coverage

Canam serves the Canadian and U.S. markets through a number of plants that give it good coverage of these markets.

#### Customers

Steel joists and steel deck are mainly sold to structural steel fabricators. After securing a contract for a project, the general contractor selects a structural steel fabricator who purchases the steel joists and steel deck required for the project from the Company and other suppliers. In Canada, steel deck is also sold to erectors. Canam has been developing national accounts in Canada for several years. Hence, major real estate developers as well as store and restaurant chain owners buy directly from Canam. National accounts represent more than 10% of Canam's sales in

Canada. This approach allows the Company to assume the role of steel products integrator (steel contractor) for an entire project, that is, for the structural steel, steel joists and steel deck. In other words, Canam enters into an agreement for the entire steel structure of a building and, in addition to supplying the steel joist and deck products, as it has always done, it entrusts the fabrication of the structural steel and the erection of the steel to subcontractors (fabricator-partners). Canam intends to promote the use of this commercial approach to real estate developers. Moreover, having close ties with its clientele allows the Company to promote the benefits of its other construction products, including Hambro and Murox products. Sales contracts are firm, fixed-price contracts and are usually awarded following competitive bids for a project. All projects are custom-built.

For the financial year ended December 31, 2009, no single customer accounted for more than 5% of Canam's sales in the steel joist and steel deck sector.

### Competition

The Company is the largest fabricator of steel joists in Canada, with a market share estimated at approximately 74%, and an important fabricator in the United States, with a market share estimated at approximately 8%. There are approximately 50 steel joist fabrication plants in North America.

The Company's main competitors in the U.S. are Nucor (Vulcraft), Commercial Metals Company (CMC Joists & Deck), Steel Dynamics (New Millennium), Schuff Steel (Quincy Joist) and EBSCO Industries (Valley Joist). Nucor, Commercial Metals Company and Steel Dynamics are integrated businesses which operate steel mills. During lows in the economic cycle, integrated companies may be tempted to lower their selling prices for joists and steel deck in order to maintain their steel mill production levels. This is part of the reason for Canam Steel's decision to focus on complex projects requiring more work hours per ton of steel. On February 26, 2010, Commercial Metals Company announced its decision to exit the steel joist and steel deck business by way of a sale and/or closure of its facilities.

In Canada, Canam is, to its knowledge, the only company serving the country coast to coast. At the regional level, Canam competes with Delta Joists in Quebec, Samuel Manu-Tech (Omega Joists) in western Canada and MBS Steel in Ontario. No Canadian fabricator owns a steel mill. The Canadian market represents more than 10% of the total North American market for steel joists.

The Company is the largest steel deck fabricator in Canada, with a market share estimated at approximately 46%. Its market share in the United States is estimated at approximately 3%. The Company's main competitors in Canada are Vicwest and Samuel Manu-Tech.

The Company believes that the differences between the Canadian and U.S. markets, including the requirements associated with harsher weather conditions in Canada, the Canadian Building Code and the metric system, have had the effect of limiting sales in Canada of steel components fabricated in the U.S.

### Murox Products

In 2009, the Company decided to integrate the Murox Building Systems into the Canam Canada business unit's product offerings. Murox is no longer a business unit, but rather is considered to be a product of Canam Canada. This decision allows Canam Canada to benefit from the synergies that existed between the two formerly distinct Canam and Murox sales and development teams. This decision is consistent with the commercial approach adopted by Canam Canada to become a steel contractor.

Murox products complement the Company's range of construction products, in terms of building envelope and structural steel frame. Murox is a building system intended for industrial, commercial and institutional applications. Murox buildings use insulated, load-bearing wall panels, each of which is three metres wide and can reach almost 14 metres in height. They are shop-assembled. Prefabrication ensures superior thermal quality, quicker on-site installation and less time spent on field management and supervision since fewer trades are needed at the erection stage. The exterior finishes of Murox walls are shop-applied. Murox products also include products designed for specialized applications, such as the Econox portable building system and ventilated thermal panels.

### High Performance Buildings

The Company is increasing its presence in the energy-efficient building market and intends to lead in this market. The Company is in a position to offer customers a turnkey solution combining a high performance building envelope system with energy-saving and renewable energy technologies that save on heating and air-conditioning bills. For example, in 2008 the Company delivered its first energy-efficient building to Stageline Group Inc. This industrial building, located in L'Assomption, Quebec, yields substantial energy savings compared to a similar structure built according to traditional construction methods. The building was designed to meet the performance criteria of the Canada Green Building Council's LEED (Leadership in Energy and Environmental Design) Green Building Rating System.

### 3.1.2 STRUCTAL-HEAVY STEEL CONSTRUCTION

The Company fabricates and sells heavy steel construction products under the Structal name. Structal provides specially designed structural steel components for projects such as sports complexes, industrial complexes, airport facilities and office towers.

### Geographic Coverage

Structal's main structural steel fabrication plant is located in St. Gédéon de Beauce in the Province of Quebec. Given the location of this plant, the Company has historically concentrated its sales efforts in eastern Canada and the northeastern United States. For a few years now, the Company has been trying to increase its presence in the western Canadian market. After completing the fabrication of the structural steel frame for a medical clinic in Edmonton, Alberta, in 2009, the Company landed a contract in early 2010 worth over \$100,000,000 for the construction of the world's largest cable-supported retractable roof which will replace the air-supported dome of the BC Place Stadium in Vancouver, British Columbia. The contract awarded

to the Company includes design-engineering, detailing and project management services, as well as the fabrication and erection of the structural steel and cables for the retractable roof.

In order to respond to the demand for structural steel in the northeastern United States and western Canada, the Company invested in its Point of Rocks (Maryland) and Sunnyside (Washington) plants to enable them to fabricate structural steel components. As in the steel joist sector, the cost of shipping structural steel products is high and represents a determining factor in the price of products.

The projects undertaken by the Company are generally located within a radius of up to 1,100 kilometres of the steel fabrication plant, even though the products can be shipped over a greater distance at a lower cost by rail or sea. The USSL plant in Guangzhou, China, provides the Company with additional production capacity that allows it to take greater advantage of economic activity in North America.

In addition to the geographic location of a fabrication plant, knowledge of a territory influences market penetration. Even if the Company does not operate a plant in a given region, its knowledge of the territory and the companies that operate there provide it with opportunities to bid on projects. Therefore, the Company can obtain its steel products from local structural steel fabricators.

#### Customers

Structal focuses on complex and high-tonnage projects that make greater use of its engineering and construction expertise. Thanks to this expertise, Structal assists its customers in improving their designs by optimizing the quantity of steel required for projects and fast-tracking the execution of projects in order to achieve substantial savings. For large-scale projects, the Company offers design, fabrication, supervisory and installation services on the project site. The customers of Structal-Heavy Steel Construction are mainly general contractors that retain the services of Structal as a subcontractor. In turn, Structal retains the services of a steel erector if the contract stipulates that it is responsible for installing the steel on the job site. On average, a third of the costs associated with a contract are paid by Structal to the steel erector. Like Canam Canada, Structal wants to increase its participation in projects by taking on a greater proportion of the steel work and thus assume the role of steel contractor. The BC Place and Marlins baseball stadium projects mentioned in this section reflect this strategy. In the case of BC Place, the Company retained the services of a major steel cable fabricator for the design-engineering, fabrication and erection of the steel cables.

The Company has acquired extensive experience supplying structural steel components for large-scale construction projects such as sports complexes, industrial complexes, airport facilities and office towers. Structal recently completed a number of projects, including the Newseum in Washington, D.C., the Lester B. Pearson International Airport in Toronto, Ontario, the Pierre-Elliott-Trudeau International Airport in Montreal, Quebec, and the New York Mets' and Yankees' baseball stadiums. In 2009, the Company completed the fabrication of structural steel for three other sports facilities: Red Bull Park soccer stadium in New Jersey, the New York Giants' and Jets' football stadium in New Jersey and the Pittsburgh Penguins' arena in Pennsylvania.

In 2009, the Company secured a contract worth close to \$60,000,000 to build a retractable roof for the Florida Marlins' new baseball stadium in Miami, Florida. The contract includes design-engineering, business information modeling (BIM) and project management services as well as the fabrication and erection of steel components and the installation of the opening mechanism for the retractable roof.

### Competition

The heavy steel construction sector is very fragmented. In North America, this sector accounts for over 3,000 active fabricators. A few medium-sized companies in Canada and New England are Structural's main competitors.

Concrete is also in competition with steel.

### New Product

In 2009, the Company completed a 2,100-seat project requiring the fabrication and erection of aluminum risers for the Laval University stadium in Quebec City. This was the Company's first riser project. These risers draw upon a technology developed by the Company, which has filed an international patent application with the Canadian Intellectual Property Office (CIPO). The patent application is currently being examined by CIPO. Aluminum risers have an edge on conventional concrete counterparts because they are lighter and can be installed in less time and at a significantly lower cost. The Company believes that this product has a strong potential to make substantial gains in the stadium market and other venues where there is a need for permanent risers. As well, risers complement Structural's structural steel products offerings.

### 3.1.3 STRUCTAL-BRIDGES

The Company fabricates and sells highway, railway and forestry bridges made of steel as well as welded beams under the Structural name. These are specialized, oversized products that require complex fabrication. Structural-Bridges also fabricates structural bearings and expansion joints for bridge and highway infrastructure.

### Geographic Coverage

Structural's bridge and welded beam fabrication plants are located in Quebec City, Quebec, and Claremont, New Hampshire, and its structural bearing and expansion joint fabrication plant is located in Laval, Quebec. The plants located in St. Gédéon de Beauce, Quebec, and Point of Rocks, Maryland, are also used for the fabrication of bridges. Structural serves the Canadian and U.S. markets. Components are transported by truck or by train. Since rail transportation is known to be less expensive than highway transportation, Structural is able to offer its products over a larger territory, including western Canada, the Yukon, the Northwest Territories and the United States.

### Customers

Structal believes that a great number of bridges across North America will need to undergo rehabilitation or replacement in the coming years. Structal serves general contractors, governments and rail and forestry companies.

### Competition

The Company believes that Structal is the main steel bridge fabricator in Canada. Competition comes mainly from concrete bridge fabricators, which offer bridges made of concrete poured on site or from pre-stressed concrete beams. In the Company's view, feasibility and costs tip the scales in favour of steel as the construction material of choice for longspan and railway bridges. Steel price increases since 2004 have generated increased competition in the shortspan bridge sector, where more concrete bridge structures are found. However, growth in the railway bridge market and the construction of a greater number of longspan bridges have contributed to Structal-Bridges' sustained growth. Besides concrete bridge fabricators, Structal's competitors in eastern Canada are Cherubini and Central Welding & Iron Works. Elsewhere in Canada the main bridge fabricators are Rapid-Span, Capitol Welding and Supreme Steel.

Structal's main competitors in the eastern United States are High Steel Structures, Hirschfeld and Williams Bridge. The principal bridge fabricators in the U.S. are High Steel Structures, Hirschfeld, PDM Bridge and W&W AFCCO. When it comes to non-railway bridge fabrication, competition is essentially at the regional level considering the cost of transportation and the size of the steel components. Structal competes with concrete bridge fabricators in the U.S. as well.

### New Product

In 2009, the Company filed a patent application with the Canadian Intellectual Property Office (CIPO) and another with the United States Patent and Trademark Office (USPTO) regarding its "orthotropic" deck system for bridges. This type of deck is lighter than a conventional concrete slab used in the majority of bridges. The orthotropic deck system is entirely shop-fabricated, including the application of the wearing surface, thus saving on-site construction time. Because of their lighter weight, orthotropic panels increase an existing bridge's traffic-bearing capacity without the need to modify its main beams, piers or abutments. The Company believes that this type of deck is an excellent solution for repair work carried out at night on busy sections that must be re-opened to traffic the following day. This deck system was chosen for a bridge refecton project in Chicago, Illinois. This will be the Company's first orthotropic deck system project.

#### 3.1.4 HAMBRO – Residential Building Systems

The Hambro business unit supplies residential building systems, primarily to the multi-storey residential market. The Company can combine the Hambro concrete floor system, which has been around for many years, with other steel components used in the construction of a residential building structure, that is, Hambro steel joists, steel deck, structural steel, transfer slabs, Hambro columns, Hambro composite girders and beams. The Company entrusts the fabrication of the

various structural components that complement its offerings to subcontractors (fabricator-partners).

The Hambro concrete floor system is a combination of Hambro steel joists and a concrete slab in compression. The system is composed of composite girders associated with a continuous slab. The Company holds patents in connection with the Hambro system in Canada and the United States. The Hambro system features a fire-resistant factor recognized by Underwriters Laboratories, Inc. (UL) in the United States and by Underwriters Laboratories of Canada (ULC) in Canada.

The Hambro residential building systems are primarily sold in Canada and the United States. Competition comes from wood, concrete and steel-based constructions.

### 3.1.5 TECHNYX – Technical Outsourcing Services and Building Information Modeling (BIM) Support Services

Both Steel Plus Limited, a wholly-owned subsidiary of the Company with a place of business in Kolkata, India, and Technyx Euro Services s.r.l., a wholly-owned subsidiary of the Company with a place of business in Brasov, Romania, which do business under the Technyx International name, provide drafting outsourcing services to the Company's business units and third parties requiring such services, mainly North American and French steel product fabricators. From its Canadian offices, the Company also provides heavy structural steel drafting services to other business units under the Technyx name.

InteliBuild Technyx Asia Limited (ITAL), a corporation in which the Company holds, since January 1, 2010, a 51% interest, in the form of voting and participating shares, offers building information modeling (BIM) and 3D detailing services to clients primarily based in Asia from its offices in Hong Kong, China. The Company's acquisition of an interest in ITAL allows it to partner with a business that is recognized as a leader in its field as well as to achieve greater expertise more quickly in the field of BIM services. ITAL plans to expand into a number of other regions around the world in the coming years.

Technyx relies on a skilled workforce, based in its offices in Canada and elsewhere around the world. As at December 31, 2009, Technyx had approximately 350 employees in its offices outside Canada. Its offices outside Canada opened several years ago to address the shortage of specialized industrial drafting personnel in North America and to gain a competitive edge in terms of steel construction project bid proposals. Technyx's external customer base accounts for nearly 30% of its revenues.

Technyx offers its technical outsourcing and BIM support services to commercial, residential and industrial construction markets as well as to 3D CAD software users. Its customers include several North American and European companies as well as the Company's business units. The sale of outsourcing services is done through outsourcing contracts for a specific period of time, during which the customer assumes full responsibility for the drafter's work. In the current global context, all communications between the customer and the drafter can take place online. To the Company's knowledge, there is no other company using this outsourcing model, although there are firms that offer similar services in other parts of the world, but on a flat-rate basis per

project. Customers benefit from less costly services than those they would normally get in North America, a second shift due to the time difference, access to a pool of qualified and motivated personnel and the use of the latest technology.

The Company is positioning itself to become a leader in the use of technological tools dedicated to facilitating the circulation and exchange of building information data throughout the design, fabrication and delivery of construction solutions. The BIM business process allows all construction project participants to work together on a single model, while navigating in real time. In other words, the model is continually updated by the interested parties: engineer, architect, fabricator and erector. BIM will simplify communications and reduce costs related to waiting times. Technyx also collaborates with external engineers to create models that require BIM.

### 3.1.6 CANAM INTERNATIONAL

Over the years, the Company has developed know-how that is recognized by the steel product fabrication industry. To increase its revenues and profitability, the Company has opted to acquire minority interests in steel product fabrication companies outside Canada and the United States. Some of these firms, as well as other firms located outside Canada and the United States, pay royalties for the right to utilize the Company's know-how. Regarding the choice of partners, the Company is on the lookout for companies that are active in the construction product sector, that are well-established in their markets and that have the experience necessary to take on fabrication and marketing operations in a defined territory.

Steel Plus Limited holds a 35% interest, in the form of voting and participating shares, in Canam Asia Limited (Canam Asia), based in Saudi Arabia. Zamil Industrial Investment Company (Zamil) holds the remaining 65%. Canam Asia operates two steel joist plants, one in Dammam, Saudi Arabia, and the other in Ra's Al Khaymah (RAK) in the United Arab Emirates, with an annual production capacity of 12,000 tons and 24,000 tons respectively. The RAK facility also fabricates steel deck. Their products are intended for the Middle Eastern market. Zamil also operates a Vietnam-based steel joist fabrication plant that calls on the Company's know-how and for which Zamil pays royalties.

Canam International also includes the Company's interests in: (i) Canam SAS (34%), a French company that operates a steel joist and structural steel fabrication plant with an annual capacity of 25,000 tons in Niort, France; and (ii) USSL (49%), a Chinese company that operates a structural steel and bridge fabrication plant with an annual capacity of 40,000 tons in Guangzhou, China (see section 2.2 "Developments over the Last Three Fiscal Years" of this Annual Information Form).

Finally, Canam International also oversees the construction project management operations of Canam Steel Romania S.R.L., a wholly-owned indirect subsidiary of the Company located in Brasov, Romania.

### **3.2 Other Activities**

As disclosed in its audited consolidated annual financial statements, the Company owns a portfolio of investments in a number of private and public companies with a book value of \$63,503,000 as at December 31, 2009.

The Company's largest investments in terms of book value consist of: (i) the common shares in Alta Industriel Ltd. (Alta) worth \$22,258,000 as at December 31, 2009, representing 50% of the issued and outstanding shares in Alta; and (ii) the 15% and 16.6666% interests in FabSouth, LLC and FS Real Estate Holdings, LLC respectively, worth a total of \$11,900,000. Alta owns plots of land in the Municipality of Coteau du Lac, Quebec, located southwest of Montreal, of which 21,128,062 square feet are to be sold for commercial and industrial use. As at December 31, 2009, third parties held options to purchase 10,712,000 square feet of this area. As at December 31, 2009, the vast majority of these properties were located in an agricultural zone within the meaning of the *Act to preserve agricultural land* (Quebec). Requests to change the zoning in order to permit the commercial and industrial development of part of these properties have been filed with government authorities.

### **3.3 Environmental Policies and Considerations**

The core business of the Company is the transformation of steel through cutting, bending and welding. The finished products are generally covered with a primer coat. Steel, the raw material, poses little risk to the environment and is easily recyclable. Operations that pose a potential environmental impact are welding, which creates smoke (emitted in the form of suspended particles), and painting, which results in the emission of volatile organic compounds (VOC) and generates dangerous residual materials. The Company is gradually integrating water-based paints into its dipping process with a view to reducing the emission of volatile organic compounds.

The Company has put in place measures to reduce the environmental impact of storing and disposing of dangerous residual materials. Each of the Company's plants has a pollution prevention program as part of its routine activities. No significant expenditure is planned to ensure that the Company's immovable property and activities comply with environmental standards. The Company is monitoring the evolution of existing and proposed laws and regulations and believes that they will not diminish its competitive edge.

The Company has adopted an environmental policy. This policy confirms the Company's commitment to comply with prevailing laws and regulations. To fulfill this commitment, management must keep a close eye on legislative and regulatory developments affecting the Company's activities. The Company applies new environmental standards as soon as they are adopted or modified by government authorities. Regular follow-ups are subsequently conducted to make sure that new and modified standards are being applied.

### 3.4 Human Resources

As at December 31, 2009, the Company employed 2,476 people. The following table lists the number of employees by country.

**CANAM GROUP INC.**  
**TOTAL NUMBER OF EMPLOYEES AS AT DECEMBER 31, 2009**

<u>Country</u>	<u>Number of employees</u>
Canada	1,484
United States	628
Romania	304
India	<u>60</u>
<b>Total</b>	<b><u>2,476</u></b>

The majority of plant employees are unionized. The Company has nine (9) collective agreements with its employees. Three collective agreements were renewed in 2009. The Company believes that it has good labour relations with its employees.

### 3.5 Risk Factors

The item “Risk Factors Relating to the Company’s Business” under Management’s Discussion and Analysis in the 2009 Annual Report is incorporated herein by reference.

## ITEM 4 - CAPITAL STRUCTURE

### 4.1 General Description of the Capital Structure

The authorized share capital of the Company is comprised of an unlimited number of common shares (common shares), an unlimited number of Class “D” shares without par value, an unlimited number of Class “E” shares without par value and an unlimited number of Class “F” shares without par value. Class “D”, Class “E” and Class “F” shares may be issued in one or more series, and the Board of Directors may determine the conditions attached to said shares at the time of issuance. If such shares are voting shares, they only confer one (1) vote per share upon their holder.

As at February 23, 2010, 45,368,079 common shares of the Company were issued and outstanding.

The following is a brief description of the attributes of the common shares. This description does not purport to be complete and is subject to the Company’s articles.

## **Common Shares**

### *Voting Rights*

Subject to the *Companies Act* (Quebec), the holders of common shares are entitled to receive notices of, and to be present and to vote at, all of the Company's shareholders' meetings. Each common share entitles the holder thereof to one vote per share, which may be exercised in person or by proxy.

### *Dividends*

The holders of common shares are entitled to receive dividends from the funds of the Company, if, as and when declared by the directors.

## **ITEM 5 - DIVIDENDS**

The Company declared and paid a quarterly dividend of \$0.04 per common share for each quarter of the last three financial periods. Both the declaration and the amount of the dividend are reviewed on a quarterly basis by the Board of Directors of the Company.

## **ITEM 6 - MARKET FOR SECURITIES**

The Company's common shares are listed on the Toronto Stock Exchange and are identified by the symbol "CAM".

The following table indicates, for each month of the financial year ended December 31, 2009, the price range and volume of the Company's common shares traded on the Toronto Stock Exchange.

<b>Month (Year 2009)</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Close (\$)</b>	<b>Volume</b>
January	7.85	6.73	7.37	868,308
February	7.18	4.54	4.77	1,050,904
March	5.39	4.76	4.96	1,099,283
April	7.35	4.90	7.10	1,017,137
May	7.82	6.78	7.41	1,188,107
June	7.93	6.20	6.61	808,231
July	7.20	5.95	7.09	610,845
August	7.55	6.59	6.85	197,295
September	7.28	6.52	7.01	892,688
October	7.58	6.61	6.91	795,955
November	7.24	6.75	7.17	400,802
December	7.32	6.82	7.13	<u>1,196,404</u>
<b>Total</b>				<b><u>10,125,959</u></b>

The closing prices of the Company's common shares as at December 31, 2008 and 2009 were \$6.65 and \$7.13 respectively.

## ITEM 7 - DIRECTORS AND OFFICERS

### 7.1 Directors

The following table lists the name, municipality and province of residence of each director of the Company, his or her position and principal occupation and the year in which he or she became a director.

<b>Name and municipality of residence</b>	<b>Position and principal occupation</b>	<b>Director since</b>
Élaine Beaudoin Westmount, Quebec <sup>(1)</sup>	Corporate Director	2000
Anne-Marie Dutil Blatchford Westmount, Quebec	Corporate Director	1998
Marc Dutil St. Georges, Quebec	President and Chief Operating Officer Canam Group Inc.	2002
Marcel Dutil, C.M. Montreal, Quebec	Chairman of the Board and Chief Executive Officer Canam Group Inc.	1972
Pierre Lortie, C.M. St. Lambert, Quebec <sup>(1) (3)</sup>	Senior Business Advisor Fraser Milner Casgrain LLP (law firm)	2004
Pierre Marcouiller Magog, Quebec <sup>(1)</sup>	Chairman of the Board and Chief Executive Officer Camoplast Inc. (manufacturer of specialized components for on- and off-road vehicles)	2007
Normand Morin Montreal, Quebec <sup>(2) (3)</sup>	Corporate Director	2005
Robert Parizeau Montreal, Quebec <sup>(2) (3)</sup>	Corporate Director	1990
Pierre Thabet St. Georges, Quebec <sup>(2)</sup>	President Boa-Franc, G.P. (wood flooring manufacturer)	2006
Jean-Marie Toulouse Town of Mount Royal, Quebec <sup>(1) (2)</sup>	Honorary Professor École des Hautes Études Commerciales de Montréal (HEC) (university)	2006
Jean Turmel Montreal, Quebec <sup>(1)</sup>	President Perseus Capital Inc. (fund management company)	2006

(1) Member of the Audit Committee

(2) Member of the Human Resources Committee

(3) Member of the Corporate Governance Committee

All members of the Board of Directors are Canadian residents. All of these people will continue in office until the Company's next Annual General Meeting of Shareholders. During the past five years, they have all held their current positions or another position within the company indicated opposite their name or a predecessor of that company, with the exception of Mr. Pierre Lortie, who was Chairman of the Montreal Demerger Transition Committee from June 2004 to December 2005.

## 7.2 Executive Officers

The following table lists the name, municipality, province of residence, position and principal occupation of each executive officer of the Company.

<b>Name and municipality of residence</b>	<b>Position within the Company</b>
Marcel Dutil Montreal, Quebec	Chairman of the Board and Chief Executive Officer
Marc Dutil St. Georges, Quebec	President and Chief Operating Officer
Mario Bernard St. Georges, Quebec	President, Canam and Structal-Bridges
Sam Blatchford Westmount, Quebec	President, Canam Steel Corporation and Hambro
John Bradley St. Julie, Quebec	Vice President, Credit
Michael Burnet Boucherville, Quebec	Vice President, Purchasing
Mihran Cicek Montreal, Quebec	Vice President, Research and Analysis
Jasmin Gosselin St. Bruno, Quebec	Vice President, Communications
Louis Guertin Kirkland, Quebec	Vice President, Legal Affairs, and Secretary
René Guizzetti Montreal, Quebec	Vice President, Corporate Control and Taxation
Georges Hage-Chahine Town of Mount Royal, Quebec	President, Canam International
Joël Nadeau St. Gédéon de Beauce, Quebec	Vice President, Canam Canada
François De Paul NKombou Boucherville, Quebec	Vice President, Internal Audit

Annie Paquet St. Georges, Quebec	Vice President, Innovation Support
Luc Pelland Beaconsfield, Quebec	President, Structural-Heavy Steel Construction
Charles Pinel St. Georges, Quebec	Vice President and Chief Financial Officer
Raymond Pomerleau Longueuil, Quebec	Treasurer
Claude Provost St. Georges, Quebec	Vice President, Human Resources
Jean Thibodeau Laval, Quebec	President, Technyx and Vice President, MIS
Pierre Turgeon St. Georges, Quebec	Vice President, Administration and Control – Canadian Operations
Richard Vincent Westmount, Quebec	Vice President, Research

During the past five years, the executive officers have all held their current positions or another position within the Company, with the exception of (i) Mr. Michael Burnet, who, prior to March 2007, was Sales Manager, Flat-Rolled Products, Eastern Region, for Stelco Inc.; and (ii) Mr. François De Paul NKombou, who, prior to February 2007, was Auditor for Pratte Bélanger & Associés, Chartered Accountants.

### **7.3 Security Holdings**

As at December 31, 2009, directors and officers collectively owned, directly or indirectly, 8,280,191 common shares in the Company, representing 18.25% of the total number of voting shares.

### **7.4 Cease-Trading Order, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Company, no director or executive officer of the Company, or no shareholder owning a sufficient number of shares in the Company to have a material impact on the control of the Company, is, as at the date of this Annual Information Form, or has been, within 10 years prior to the date of this Annual Information Form, a director or executive officer of the Company or any other company which, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to hold its assets, with the exception of (i) Ms. Éline Beaudoin who, until November 2008, was a Director of LMS Medical Systems Inc., which company on June 4, 2009 filed a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act (Canada), and (ii) Mr. Marcel Dutil, who was a Director of Total Containment, Inc. when that

corporation filed for bankruptcy under Chapter 11 of Title 11 (Bankruptcy) of the *United States Code* on March 4, 2004.

## **7.5 Conflicts of Interest**

Placements CMI Inc. (Placements CMI) and Gestion Marcel Dutil Inc., companies whose voting shares are beneficially owned, directly or indirectly, by Mr. Marcel Dutil, and their subsidiaries concluded operations between related parties with the Company. For the financial year ended December 31, 2009, the Company had revenues and expenditures resulting from these transactions totalling \$4,629,000 and \$6,570,000 respectively. These companies provide various services to the Company, namely the leasing of immovable property. In the opinion of the Company's management, these transactions were conducted under market conditions as though negotiated at arm's length. The Company's Audit Committee reviews these transactions once a year.

## **ITEM 8 - LEGAL PROCEEDINGS**

There are several legal proceedings and claims currently filed against the Company. While it may be impossible to predict the outcome of such proceedings, management believes that all of these proceedings as a whole will not result in pecuniary damages likely to interfere materially with the Company's activities.

## **ITEM 9 - INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

### **9.1 Sale of Preferred Shares Held in the Share Capital of Finloc Inc.**

Reference is made to section 3.2 "Other Activities" of Item 3 of this Annual Information Form. On December 22, 2008, the Company sold to Placements CMI all the preferred shares then held by the Company in the share capital of Finloc Inc. (Finloc) (Finloc Shares) for \$56,646,673, payable as follows:

- (i) the transfer by Placements CMI to the Company of preferred shares and common shares of the share capital of Alta Industriel Ltd. (Alta) (the Alta Shares), representing 50% of the issued and outstanding shares of each of these classes for a consideration of \$23,125,758 and a note (the Alta Note) in the amount of \$1,874,242 issued by Alta to Finloc;
- (ii) an option to sell the Alta Shares, giving the Company the right to demand that Placements CMI purchase the Alta Shares from the Company on or before December 31, 2018, provided that all the plots of land intended to be sold by Alta for commercial or industrial use (the Properties) have been sold (the Option); and
- (iii) the issuance to the Company of a note in the amount of \$31,646,673 (the Note) bearing interest at an annual rate of 5.81%, payable as follows: (x) a capital repayment of

\$6,646,673 on or before December 31, 2008, leaving a balance of \$25,000,000 (the Balance), and (y) repayment of the Balance in 40 consecutive, quarterly and equal installments of \$625,000, plus interest, starting on March 31, 2009. The capital repayment of \$6,646,673 was made on December 30, 2008. The payment of the Balance is guaranteed by a moveable hypothec on a debt in the amount of \$25,000,000 owed by Finloc to Placements CMI.

The above being subject to certain conditions, specifically:

- a) that if the Company exercises the Option, the price to Placements CMI for purchasing the Alta Shares will be equal to the difference between \$25,000,000 and the Company's cash receipts from Alta to a maximum of \$5,000,000, and the purchase price will be added to the amount of the Note; the purchase price will be payable in instalments of \$625,000 per quarter beginning with the final payment of the balance of the Note and will bear interest at an annual rate of 5.81%;
- b) that if the total of the Company's cash receipts from Alta exceeds \$25,000,000 and provided that all the Properties have been sold, the excess amount, to a maximum of \$5,000,000, will reduce the amount of the Note, and any amount exceeding the balance of the Note shall be paid in cash by the Company to Placements CMI;
- c) that if the Note is repaid in full before January 1, 2016 and before all the Properties have been sold, the Option and the adjustment on the Note will end;
- d) that if the Properties have not all been sold on or before December 31, 2018, the adjustment on the Note will end; and
- e) that Placements CMI warrants that at least 16,902,450 square feet of the total area of the Properties, or 80% of the total area of the Properties, will be dezoned for commercial and industrial use on or before December 31, 2018, failing which Placement CMI shall pay to the Company a compensatory amount equal to the difference between the market value of the Properties that have not been dezoned for commercial and industrial use and the market value of these same properties, assuming they have been dezoned. However, Placements CMI will not be required to pay a compensatory amount if, on or before December 31, 2018, the total of the Company's cash receipts from Alta is equal to or exceeds \$25,000,000.

The Investment-Monitoring Committee, composed of independent directors of the Company, relied on two studies prepared by CB Richard Ellis Services Conseils Inc. ("CBRE") and Symmaf Inc., two commercial and industrial valuation service firms, which established the potential revenue from selling the Properties at \$56,000,000 and \$56,400,000 respectively, to justify the value of the consideration received for the Finloc Shares. The Company opted for the value of \$56,000,000.

On January 23, 2009, Alta repurchased the preferred shares of its share capital held by the Company for \$501,000.

On December 15, 2009, the Company and Placements CMI agreed that, as of 2011, the quarterly installments of the Note will be reduced from \$625,000 to \$500,000, in consideration of which Placements CMI will reduce the balance of the Note to \$20,000,000 on or before December 31, 2009 and to \$16,000,000 on or before December 31, 2010.

Mr. Marcel Dutil, Chairman of the Board and Chief Executive Officer of the Company, beneficially owns, directly or indirectly, the voting shares of Placements CMI and Finloc. The address for Mr. Marcel Dutil, Placements CMI and Finloc is 11535, 1<sup>re</sup> Avenue, bureau 500, Saint-Georges (Québec) G5Y 7H5.

## **ITEM 10 – LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

In September 2009, the Company was subject to an administrative monetary penalty of \$1,400 imposed by the *Autorité des Marchés Financiers* for filing a late report in SEDI format regarding a change in its beneficial ownership of securities in the Company pursuant to its normal course issuer bid. The report was filed 14 days late, on September 24, 2008.

## **ITEM 11 – TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. located at 1500, rue Université, bureau 700, Montréal (Québec) H3A 3S8. Computershare Investor Services Inc. also has offices in Toronto, Ontario.

## **ITEM 12 - MATERIAL CONTRACTS**

Please refer to section 9.1 under Item 9 “Interest of Management and Others in Material Transactions” of this Annual Information Form.

## **ITEM 13 – INFORMATION ON THE AUDIT COMMITTEE**

### **Composition**

The Audit Committee is composed of Ms. Éloïse Beaudoin and Messrs. Pierre Lortie (Chair), Pierre Marcouiller, Jean-Marie Toulouse and Jean Turmel. Each member of the Committee is independent and financially literate within the meaning of *Regulation 52-110 respecting audit committees*.

### **Financial Literacy**

Each member of the Company’s Audit Committee has a good grasp of Canadian generally accepted accounting principles (GAAP) and has the ability to understand financial statements that present a degree of complexity generally comparable to that of the accounting issues which may reasonably be raised in the Company’s financial statements. This section describes at greater length how these members acquired such financial literacy.

**Élaine Beaudoin.** Ms. Beaudoin is a corporate director. She holds a Bachelor's degree in Accounting from the Université du Québec à Montréal and a Bachelor's degree in Commerce from McGill University in Montreal. She graduated from the Directors Education Program at the Institute of Corporate Directors. Ms. Beaudoin is a member of the Ordre des comptables agréés du Québec. She completed a course on International Financial Reporting Standards (IFRS), which standards will come into force on January 1, 2011, at the Canadian Institute of Chartered Accountants.

In addition to her university education, Ms. Beaudoin acquired auditing skills as a corporate auditor with Coopers & Lybrand. Ms. Beaudoin was also President and General Manager of the manufacturer Unifix Inc. for more than nine years.

She served for several years as a director of LMS Medical Systems Ltd., Hebdo-Litho Inc., Lower Canada College and Beaudier Inc.

**Pierre Lortie.** Mr. Lortie is Senior Business Advisor at the law firm Fraser Milner Casgrain LLP. He holds a Master's degree in Business Administration from the University of Chicago. He graduated from the Directors Education Program at the Institute of Corporate Directors.

During his career of more than 12 years at Bombardier Inc., Mr. Lortie held a variety of positions, including that of President and Chief Operating Officer of Bombardier Capital and Bombardier Transport, positions which required a good understanding of GAAP and their application in Canada and abroad. At Bombardier Capital, he was responsible, among other things, for overseeing internal controls and monitoring the accuracy of the financial reporting and the information and disclosures required by regulatory agencies such as the U.S. Securities and Exchange Commission, since Bombardier Capital was a reporting issuer both in Canada and the United States.

He also served as President and Chief Executive Officer of Provigo Inc. and as President of the Montréal Exchange. In his role at the Montréal Exchange, he was responsible for the financial audit of several securities brokers and compliance with financial reports and other disclosures necessary to conform to securities legislation and the requirements for listing on the Montréal Exchange.

Mr. Lortie is also a director of Altair Nanotechnologies, Inc., Consolidated Thompson Iron Mines Ltd. and Dynaplas Ltd. and sits on the advisory committee of CAI Capital Partners Corporation. Mr. Lortie is a member of the audit committee of Altair Nanotechnologies, Inc. and Consolidated Thompson Iron Mines Ltd.

**Pierre Marcouiller.** Mr. Marcouiller is Chairman of the Board and Chief Executive Officer of Camoplast Inc., a firm specialized in the manufacture of rubber tracks, engineering and composite and thermoplastic body dressing parts. He holds a Master's degree in Business Administration from the Université de Sherbrooke (Quebec). Prior to joining Camoplast, he was President and General Manager of Venmar Ventilation Inc. (1986-1996), where he was the controlling shareholder from 1991 to 1996. Mr. Marcouiller is also a director and a member of the audit committee of EXFO Electro-Optical Engineering Inc. He was a director of Héroux-Devtek Inc. and, from 1998 to 2005, a member of its audit committee. As Chief Executive

Officer of a major manufacturing firm, Mr. Marcouiller has acquired a sound understanding of GAAP and their application.

**Jean-Marie Toulouse.** Mr. Toulouse served as professor of management, strategy and entrepreneurship at the École des Hautes Études Commerciales de Montréal (HEC Montréal) from 1973 to 2008. He holds a Doctorate degree in Social Psychology from the Université de Montréal.

Mr. Toulouse was the Director of HEC Montréal between 1995 and 2006. In his role at HEC, Mr. Toulouse annually managed an operating budget of over \$100,000,000, a research budget of \$5,000,000 and a capital budget ranging between \$5,000,000 and \$60,000,000 depending on the year. As a result, he gained a sound understanding of GAAP and their application.

Mr. Toulouse is a director of the Société des alcools du Québec.

**Jean Turmel.** Mr. Turmel is President of Perseus Capital Inc., a fund management company. He holds a Bachelor's degree in Commerce and a Master's degree in Administration from the Université Laval in Quebec City.

Mr. Turmel held a variety of positions with National Bank of Canada between 1981 and 2004, including that of President, Financial Markets, Treasury and Investment Banking, from 1998 to 2004. With more than 35 years' experience in the financial sector, Mr. Turmel has often been called upon to analyze financial statements either in a managerial capacity or as head of financial markets, particularly in connection with the issuance of debt or equity.

Mr. Turmel is a director of Alimentation Couche-Tard inc., TMX Group Inc. and the Ontario Teachers' Pension Plan (OTPP). He chairs OTPP's investment committee and is a member of its audit and actuarial committee.

### **Audit Committee Charter**

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

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

The Audit Committee adopted a policy regarding the range of services provided by external auditors. This policy prohibits the Company from hiring external auditors to provide certain non-auditing services, such as bookkeeping and other services related to accounting records or financial statements, financial information systems design and implementation, valuation services, fairness opinions on prices offered or contribution-in-kind reports, actuarial services, internal audit outsourcing services, management functions, human resources, brokerage, investment or investment banking services, as well as legal services or expert services unrelated to auditing. In certain cases, the policy allows the Company to retain the services of external auditors for the purpose of rendering non-audit services, provided that such services are not prohibited and that they have received the prior approval of the Audit Committee.

A copy of the policy regarding the range of services offered by external auditors can be obtained free of charge, upon request, from the Company's Corporate Secretary at 270, chemin Du Tremblay, Boucherville (Québec) J4B 5X9.

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

The following table sets forth the fees billed by the external auditors of the Company, PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l. (PricewaterhouseCoopers), for the financial years ended December 31, 2008 and 2009. These figures include the fees billed by PricewaterhouseCoopers for the services rendered to the Company's subsidiaries.

<b>Fee Category</b>	<b>2008</b>	<b>2009</b>
Audit fees	\$548,591	\$573,066
Audit-related fees	\$114,161	\$ 63,519
Tax-related fees	\$117,144	\$145,026
All other fees	\$ 45,419	\$ 83,017
<b>Total</b>	<b>\$890,121</b>	<b>\$864,629</b>

“**Audit fees**” include total fees billed by PricewaterhouseCoopers for the audit of the annual consolidated financial statements, quarterly review missions, and other audits and statutory filings.

“**Audit-related fees**” include total fees billed by PricewaterhouseCoopers for audit-related services such as the retirement plan audit and advice on accounting standards and financial reporting.

“**Tax-related fees**” include total fees billed by PricewaterhouseCoopers for services related to tax compliance, tax advice, and tax consulting and planning services related to the preparation of the Company's income tax returns, capital taxes and sales taxes.

“**All other fees**” include total fees billed by PricewaterhouseCoopers for all services other than those described above, such as due diligence services as part of acquisitions.

### **ITEM 14 - ADDITIONAL INFORMATION**

Additional information on the Company is available on the Internet, on the SEDAR (System for Electronic Document Analysis and Retrieval) website ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.canamgroup.ws](http://www.canamgroup.ws)).

The Company will provide copies of the following documents to any person or company who makes such a request to the Communications Department or to the Company's Corporate Secretary at 270, chemin Du Tremblay, Boucherville (Québec) J4B 5X9:

(a) when the securities of the Company are in the course of a distribution under a short form prospectus, or a preliminary short form prospectus, (i) a copy of the Annual Information Form (AIF) of the Company and a copy of any document, or the relevant pages of any document, incorporated by reference in the AIF, (ii) a copy of the comparative financial statements of the Company for its most recently completed financial year and any auditors' report thereon, as well as a copy of the most recent quarterly financial statements of the Company that have been filed, if any, for any period following the close of its most recently completed financial year, (iii) a copy of the management proxy circular of the Company in respect of its most recent annual general meeting of shareholders during which directors were elected or a copy of any documents prepared in the place and stead of such circular, if any, and (iv) a copy of any other document incorporated by reference in the preliminary short form prospectus or the short form prospectus which has not been provided pursuant to (i) to (iii) hereinabove; or

(b) at any other time, a copy of any document to which reference is made in (a) (i) to (iii) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of securities of the Company.

Additional information, including information on the remuneration of directors and officers as well as the names of the principal holders of the Company's securities and the securities authorized for issuance under equity compensation plans, is presented for fiscal 2009 in the Management Proxy Circular of the Company relating to the Annual General Meeting of Shareholders scheduled for April 28, 2010, which Circular will be filed separately by the Company through SEDAR in March 2010. Additional financial information, in particular the audited consolidated financial statements for the financial year ended December 31, 2009 and the related Management's Discussion and Analysis, were filed separately by the Company through SEDAR.

## SCHEDULE "A"

### CANAM GROUP INC.

#### **Audit Committee Charter**

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This Charter sets out the roles and responsibilities of the Audit Committee of Canam Group Inc. (Company). The roles and responsibilities described in this Charter must at all times be exercised in accordance with the requirements of the legislation and regulations governing the Company and its subsidiaries.

#### **COMPOSITION:**

The Audit Committee is composed of at least three directors of the Company, all of whom are independent of the Company and financially literate. The quorum necessary to constitute a meeting of the Audit Committee is set at three directors.

"Independent" refers to an individual who has no direct or indirect material relationship with the Company. A material relationship refers to a relationship which could, in the view of the Company's Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

"Financial literacy" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The Audit Committee's responsibilities extend to the Company and its subsidiaries.

#### **OBJECTIVES:**

The audit committee's objectives are as follows:

- to assist the Board of Directors in performing its duties and in particular to ensure that the Company's management assumes its responsibilities with respect to:
  - the production of reliable financial information;
  - the identification of the Company's principal risks and the implementation of the appropriate systems to manage those risks, including environmental risks;
  - the integrity of the Company's internal controls and management information systems;
  - the Company's compliance with the requirements of the stock exchanges, government agencies, laws and regulations; and

- a communications policy targeting the shareholders and the general public;
- to establish effective lines of communication between the Board of Directors, management and the external and internal auditors;
- to reinforce the independent status of the external and internal auditors;
- to ensure the integrity of published financial reports.

## **ROLES AND RESPONSIBILITIES:**

### **1. REPORTS TO THE BOARD OF DIRECTORS**

The Audit Committee (Committee) must periodically report on the results of the review services rendered and make recommendations to the Board of Directors.

### **2. FINANCIAL INFORMATION**

- 2.1 The Committee reviews the Company's annual audited financial statements and annual Management Discussion and Analysis and recommends their adoption by the Board of Directors.
- 2.2 The Committee reviews the Company's interim financial statements and Management Discussion and Analysis and recommends their adoption by the Board of Directors.
- 2.3 The Committee reviews the press releases concerning the Company's annual and interim earnings and recommends their adoption by the Board of Directors.
- 2.4 In addition to the annual and interim financial statements and management's interim and annual Management Discussion and Analysis, the Committee reviews all the documents containing financial information, audited or not, notably the prospectuses and the Annual Information Form, and approves them or recommends their approval by the Board of Directors, as the case may be, before their publication.
- 2.5 The Committee must be satisfied that adequate procedures are in place to review the Company's public disclosure of financial information extracted or derived from its financial statements, other than the financial information referred to in subsections 2.1, 2.2 and 2.3 above, and periodically assesses the adequacy of those procedures.
- 2.6 The Committee reviews the external auditor's reports.
- 2.7 The Committee reviews, together with the Company's management and the external auditor, the different accounting policies and the changes proposed to those policies, as well as the different estimates performed by management that could have a significant impact on the financial information.

- 2.8 The Committee reviews, together with the Company's management and the external auditor, all major decisions regarding the evaluation or presentation of the financial information.
- 2.9 The Committee reviews the accounting treatment of material operations outside the ordinary course of business of the Company.
- 2.10 The Committee ensures coordination between the Company's management and the stock exchanges, the government agencies and the external auditor.

### **3. INTERNAL CONTROLS**

- 3.1 The Committee, through communications with the external and internal auditors, ensures the effectiveness of the internal controls and the reliability of the published financial information.
- 3.2 The Committee keeps informed, through the external and internal auditors, of any weaknesses in the systems that could cause errors or deficiencies in financial reporting or deviations from the accounting policies of the Company or from applicable laws and regulations.
- 3.3 The Committee ensures the effectiveness of the coordination between the internal auditor and the external auditor.
- 3.4 The Committee periodically reviews financial management's organization chart, the circumstances surrounding the departure of the management member in charge of finance and of any other senior finance employee involved in procedures for financial reporting, as well as the appointment of individuals in these functions.
- 3.5 The Committee reviews the financial and accounting aspects of transactions between related parties.

### **4. INTERNAL AUDIT**

- 4.1 The Committee reviews and approves the internal auditor's mandate.
- 4.2 The Committee assesses the internal auditor's degree of independence from management and other employees of the finance department of the Company and its subsidiaries. The internal auditor reports to the Company's Chief Executive Officer. He is independent of the other officers of the Company. At least once a year, a meeting is held between the Committee and the internal auditor in the absence of the Company's management.
- 4.3 The Committee reviews the annual internal audit plan and suggests mandates or studies as it deems necessary.

- 4.4 The Committee reviews the internal auditor's recommendations, including management's comments, and reviews the corrective measures taken by the Company's management.

## **5. EXTERNAL AUDIT**

- 5.1 The external auditor is independent of the Company and its directors, management and employees. He reports directly to the Committee. The Committee may, at any time, communicate directly with the external auditor. At least once a year, a meeting is held between the Committee and the external auditor in the absence of the Company's management.
- 5.2 The Committee reviews the mandate and budget regarding the external auditor's service fees and recommends their approval by the Board of Directors.
- 5.3 The Committee recommends to the Board of Directors the external auditor or auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or certification services for the Company.
- 5.4 The Committee must give prior approval to any non-audit services that the external auditor may provide to the Company and its subsidiaries, in accordance with the policy and procedures for the services of the external auditor.
- 5.5 The Committee oversees and reviews the work of the external auditor and his audit plans, service fees and audit results as well as the special mandates entrusted to him.
- 5.6 The Committee must be informed of cases where the Company's management requested the opinion of an accounting firm other than the firm appointed as external auditor on matters that would otherwise fall within the mandate of the external auditor.
- 5.7 The Committee ensures that the external auditor obtained the cooperation of the Company's employees and management. In this regard, the Committee resolves disagreements between the Company's management and the external auditor regarding financial reporting.
- 5.8 The Committee reviews the post-audit letter or letter of recommendation issued by the external auditors as well as management's reactions to them and the actions taken by management in response to observed deficiencies.
- 5.9 The Committee discusses the acceptability and quality of the Company's accounting principles with the external auditor.
- 5.10 The Committee must be satisfied that the external auditor meets the standard of satisfactory performance.

- 5.11 The Committee reviews questions related to the nomination of a new external auditor, when applicable.
- 5.12 The Committee reviews and approves the Company's hiring or retention of services policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

## **6. COMPLAINTS**

- 6.1 The Committee establishes a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters.
- 6.2 The Committee establishes a procedure for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.

## **7. GENERAL**

- 7.1 The Committee may, at the Company's expense, hire independent counsel and any other advisors it deems necessary to carry out its duties. The Committee may set the compensation to be paid to these individuals.

Audit Committee Charter: adopted February 24, 2005; amended and effective as of December 5, 2006, November 1, 2007 and February 23, 2010.

