INTERTAPE POLYMER GROUP INC
Form 40-F
April 02, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12

OF THE SECURITIES EXCHANGE ACT OF 1934

ý ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year ended **December 31, 2006**

Commission file number: **1-10928**

INTERTAPE POLYMER GROUP INC.

(Exact name of Registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

Not Applicable

(I.R.S. Employer Identification Number)

Primary Standard Industrial Classification Code Number: **2670**

9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada H4M 2X5 (514) 731-7591

(Address and telephone number of Registrant s principal executive offices)

Burgess H. Hildreth, 3647 Cortez Road West, Bradenton, Florida, 34219 (941) 739-7500

(Name, address and telephone number of Agent for service in the United States)

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

Title of each class:	Name of each Exchange on which registered:
Common Shares, without nominal	**New York Stock Exchange**
or par value	**Toronto Stock Exchange**

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

Not Applicable

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

Not Applicable

For annual reports, indicate by check mark the information filed with this form:

ý Annual Information Form ý Audited Annual Financial Statements

The number of outstanding shares of each of the issuer's classes of capital stock as of December 31, 2006 is:

40,986,940 Common Shares

-0- Preferred Shares

Indicate by check mark whether the registrant by filing 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 (the Exchange Act). If Yes is marked, indicate the file number assigned to the registrant in connection with such rule.

Yes ¨ No ý

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

Yes ý No ¨

The information contained in this 40-F and the exhibits attached hereto are incorporated by reference into Registration Statement No. 333-109944.

Controls and Procedures

Disclosure Controls and Procedures. Intertape Polymer Group Inc. maintains disclosure controls and procedures designed to ensure not only that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, but also that information required to be disclosed by Intertape Polymer Group Inc. is accumulated and communicated to management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Based on the annual evaluation made by management as of December 31, 2006 of Intertape Polymer Group Inc. s disclosure controls and procedures, with the participation of the principal executive officer and principal financial officer, the principal executive officer and principal financial officer have concluded that Intertape Polymer Group Inc. s disclosure controls and procedures were adequate and effective to accomplish the purposes for which they were designed.

*Internal Control Over Financial Reporting***.** Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company s financial reporting as well as the preparation of financial statements for external reporting purposes in accordance with Canadian generally accepted accounting principles, including a reconciliation of accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect the Company s transactions; providing reasonable assurance that transactions are recorded as necessary for the preparation of the Company s financial statements; providing reasonable assurance that receipts and expenditures of the Company are made under the authorization of management and directors of the Company; and providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on the Company s financial statements would be prevented or detected on a timely basis. Management, with the participation of the principal executive officer and principal financial officer, conducted an annual evaluation of the effectiveness of the Company s internal control over financial reporting as at December 31, 2006 based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company s internal control over financial reporting was effective as at December 31, 2006. Further, it was concluded that there have been no changes in Intertape Polymer Group Inc. s internal controls over financial reporting that occurred during 2006 that has materially affected, or is reasonably likely to materially affect, Intertape Polymer Group Inc. s internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, and even when determined to be effective, can only provide reasonable assurance with respect to financial statements preparation and presentation. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of completeness with policies or procedures may deteriorate.

Blackout Period Notices

During 2006, Intertape Polymer Group Inc. was not required to send its directors and executive officers notices pursuant to Rule 104 of Regulation BTR concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR. Intertape Polymer Group Inc. s blackout periods are regularly scheduled and a description of such periods, including their frequency and duration and plan transactions to be suspended or affected are included in the documents under which Intertape Polymer Group Inc. s plans operate and is disclosed to employees before enrollment or within thirty (30) days thereafter.

Audit Committee Financial Expert

The Board of Directors of Intertape Polymer Group Inc. has determined that it has at least one audit committee financial expert serving on its audit committee. Mr. John E. Richardson, having been a senior partner of Clarkson Gordon & Co. (now Ernest & Young), and having the attributes set forth in Paragraph 8(b) of General Instruction B to Form 40-F, has been determined to be an audit committee financial expert. Further, Mr. Richardson is independent as that term is defined by the New York Stock Exchange s corporate governance standards applicable to Intertape Polymer Group Inc.

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

Code of Ethics

Intertape Polymer Group Inc. has adopted a code of ethics entitled Intertape Polymer Group Inc. Code of Business Conduct and Ethics , which is applicable to all of its employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, and all persons performing similar functions. During the 2006 fiscal year, Intertape Polymer Group Inc. did not amend its Code of Business Conduct and Ethics and did not grant a waiver from any provision of its Code of Business Conduct and Ethics. Intertape Polymer Group Inc. will provide, without charge, to any person upon written or oral request, a copy of its Code of Business Conduct and Ethics. Requests should be directed to Burgess H. Hildreth, Intertape Polymer Group Inc., 3647 Cortez Road West, Bradenton, Florida 34210. Mr. Hildreth may be reached by telephone at (941) 739-7500.

Principal Accountant Fees and Services

A table setting forth the fees billed for professional services rendered by Raymond Chabot Grant Thornton LLP, Chartered Accountants, Intertape Polymer Group s principal

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accountant, for the fiscal years ended December 31, 2006 and December 31, 2005, is set forth in Item 17.5 of Intertape Polymer Group s Annual Information Form attached hereto as Exhibit 1.

Intertape Polymer Group Inc. s Audit Committee pre-approves all audit engagement fees and terms of all significant permissible non-audit services provided by independent auditors. With respect to services other than audit, review or attest services set forth in the table referenced above, none were approved pursuant to the *de minimus* exception provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Off-Balance Sheet Arrangements

Through June 2005, Intertape Polymer Group Inc. maintained no off-balance sheet arrangements, except for certain letters of credit issued and outstanding. As of December 31, 2006 and 2005, the Company had $2.5 million and $7.0 million, respectively, of outstanding letters of credit, which decrease the available balance under the Company s credit facility. In June 2005, Intertape Polymer Group Inc. entered into an interest rate swap agreement for a notional principal amount of $50.0 million maturing in June 2010. In July 2005, Intertape Polymer Group Inc. entered into a second interest rate swap agreement for a notional principal amount of $25.0 million maturing in July 2010. Under the terms of these interest rate swap agreements, the Company receives, on a quarterly basis, a variable interest rate and pays a fixed interest rate of 4.27% and 4.29%, respectively, plus the premium of 2.75% (2.25% prior to November 8, 2006 and in 2005) applicable on its term loan. The increase in the premium rate is as a result of the November, 2006 Amendment to the Company s Credit Agreement. As of December 31, 2006, the effective interest rate on $75,000,000 was 7.03%, (6.53% in 2005), and the effective interest rate on the excess was 8.04% (6.74% in 2005).

Tabular Disclosure of Contractual Obligations

The information required by Paragraph (12) of General Instruction B to Form 40-F is located on Page 21 of Management s Discussion and Analysis for 2006 attached hereto as Exhibit 2 and made a part hereof by this reference.

Identification of the Audit Committee

Intertape Polymer Group Inc. has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee is comprised of four of the seven directors of Intertape Polymer Group Inc.: John E. Richardson, L. Robbie Shaw, Gordon R. Cunningham, and Thomas E. Costello. For additional information with respect to the Company s Audit Committee, see Item 17 of the Company s

Annual Information Form attached hereto as Exhibit 1.

Undertaking

Intertape Polymer Group Inc. undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Securities and Exchange Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating

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to the securities in relation to which the obligation to file an annual report on Form 40-F arises, or transactions in said securities.

[SIGNATURE ON FOLLOWING PAGE]

Signature

Pursuant to the requirements of the Exchange Act, Intertape Polymer Group Inc. certifies that it meets all of the requirements for filing on Form 40-F, and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

INTERTAPE POLYMER GROUP INC.

(Registrant)

By:/s/ Andrew M. Archibald

(Signature)

Name:

Andrew M. Archibald, C.A.

Title:

Chief Financial Officer

Date: April 2, 2007

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EXHIBIT 1

Item 1.

INTERTAPE POLYMER GROUP INC.

ANNUAL INFORMATION FORM

For the Year ended December 31, 2006

Dated: April 2, 2007

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INTERTAPE POLYMER GROUP INC.

ANNUAL INFORMATION FORM

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Item 2.

Corporate Structure

2.1

Name, Address and Incorporation

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

Intertape Polymer Group s corporate headquarters is located at 9999 Cavendish Blvd., Suite 200, Ville St. Laurent, Quebec, Canada H4M 2X5 and the address of its registered office is 1155 René-Lévesque Blvd. West, Suite 4000, Montreal, Quebec, Canada H3B 3V2, c/o Stikeman Elliott LLP.

2.2

Intercorporate Relationships

Intertape Polymer Group is a holding company which owns various operating companies in the United States and Canada. Intertape Polymer Inc., incorporated under the *Canada Business Corporations Act*, is the principal operating company for the Company s Canadian operations. Intertape Polymer Corp., a Delaware corporation, is the principal operating company for the Company s United States and international operations.

The table below lists for each of the subsidiaries of the Company their respective place of incorporation or constitution, as the case may be, and the percentage of voting securities beneficially owned or over which control or direction is exercised directly or indirectly by Intertape Polymer Group. Certain subsidiaries, each of which represents not more than ten percent of consolidated assets and not more than ten percent of consolidated sales and operating revenues of the Company, and all of which, in the aggregate, represent not more than twenty percent of total consolidated assets and total consolidated sales and operating revenues of the Company at December 31, 2006, have been omitted.

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Corporation	Place of Incorporation or Constitution	Percentage of Ownership or Control
Intertape Polymer Group Inc.	Canada	Parent
Intertape Polymer Inc.	Canada	100%
ECP GP II Inc.	Canada	100%
ECP L.P.	Province of Ontario	100%
Spuntech Fabrics Inc.	Canada	100%
IPG Financial Services Inc.	Delaware	100%
IPG Holding Company of Nova Scotia	Nova Scotia	100%
Intertape Polymer Corp.	Delaware	100%
Intertape Woven Products Services S.A. de C.V.	Mexico	100%
IPG Holdings LP	Delaware	100%
Polymer International Corp.	Virginia	100%
IPG (US) Inc.	Delaware	100%
IPG (US) Holdings Inc.	Delaware	100%
Intertape Polymer US Inc.	Delaware	100%
Fibope Portuguesa-Filmes Biorientados S.A.	Portugal	100%

Item 3.

General Development of the Business

3.1

General Three Year History

Overview of prior periods

The Company commenced operations in 1981 and since has evolved into a recognized leader in North America in the development and manufacture of tapes, films and engineered coated and laminated products. Intertape Polymer Group is the second largest tape manufacturer in North America, the leader in the markets for many engineered coated products, and a significant producer of films in the North American industry. For several years, Intertape Polymer Group s business strategy was primarily one of growth. Commencing in the mid-1990 s, the Company made several strategically important acquisitions to further its business plan to either develop or acquire new products to complete the basket of products approach to the Company s markets.

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Following this period of rapid expansion through acquisitions, the Company entered a period of integration, cost reduction, and facility consolidation. The Company focused on implementing improvements aimed both at realizing the benefits of past acquisitions and optimizing the Company s cost base, the quality of its products and the cost and effectiveness of its supply chain operations. As part of its supply chain optimization, the Company announced in 2003 that it would consolidate three Regional Distribution Centers (RDCs) into a new facility adjacent to its existing manufacturing operations in Danville, Virginia.

2004-2005

The new RDC became operational in February 2004 and the continuous improvement of this operation has allowed the Company to lower warehousing costs and enhance service levels to its customers. In 2006, the Company established a dedicated consumer products distribution center in Columbia, South Carolina, utilizing a third party provider. This RDC will improve service to this customer base.

Over the last three years, the Company has invested approximately $69.5 million in capital expenditures principally to purchase more efficient production equipment, expand capacity and permit the manufacture of new product offerings, and to enhance information systems capabilities. One of the benefits of these investments has been the Company s ability to reduce the number of its production and distribution facilities, while maintaining its existing capacities. In the fourth quarter of 2004, as part of the Company s ongoing review of the efficiency and effectiveness of its production and distribution network, the Company announced and substantially completed the closure of two of its manufacturing facilities, one in Cumming, Georgia and the second in Montreal, Quebec, as well as the closure of its distribution center in Cumming, Georgia.

Beginning in 2004, the Company, along with the industry, has experienced rising raw material costs. In 2005, not only was the Company, as well as the industry, faced again with rising raw material costs, certain key raw materials also became in short supply. In the first half of 2005, the shortage was in synthetic rubber, an essential ingredient in the formulation of certain of the Company s tape adhesives. After two major hurricanes hit the Gulf Coast of Louisiana and Texas during the third quarter, prices for petroleum-based resins, which are key raw materials for several of the Company s products, rose dramatically. However, as a result of the creation of smaller business teams within the Company and a global sourcing group, the Company was able to manage the rising raw material costs through a series of timely sales price increases to its industrial and specialty distributors, and to a lesser extent, its retail customers, and was able to aggressively pursue and secure resin supplies from worldwide sources.

During 2005, in response to increasing sales prices and product shortages that were negatively impacting Intertape Polymer Group s customer profitability, Intertape Polymer Group implemented its Full Truck concept which was and is designed to allow the Company s customers to consolidate their purchases through the ordering of multiple products in single shipments. Under the Full Truck strategy, customers are offered truckload pricing being

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required to purchase full truckloads of each product line. This inventory management system is designed to permit the Company s customers to operate their businesses with a lower cash investment. The Full Truck concept is an extension of Intertape Polymer Group s basket of products strategy which provides the Company s customers with a one-stop shopping opportunity, and which is an essential element of Intertape Polymer Group s value proposition to its customers. The Company s value proposition is meant to provide economic benefit for customers in these ways:

1.

Inventory optimization achieved through more frequent inventory turns.

2.

New business development resulting from Intertape Polymer Group s field sales force making end-user calls with distributors.

3.

Business growth through the Company s National Accounts Program.

In December, 2005, the Company announced it was investigating the possibility of selling a portion of its interest in the combined engineered coated products operations and FIBC business through an initial public offering of the combined business using a Canadian Income Trust. On May 24, 2006 the Company announced that it had indefinitely deferred the decision to proceed with this offering.

2006

In May of 2006, it was announced that Mr. Melbourne F. Yull, the Company s founder Chairman and CEO would retire effective on June 14, 2006. In connection with Mr. Yull s retirement, the Company recorded charges totaling $9.9 million (predominantly in the second quarter of 2006), including $1.5 million in stock-based compensation expense and $2.4 million related to the recognition of the balance of Mr. Yull s pension.

Following Mr. Yull s retirement, Mr. Michael Richards was elected as the non-executive Chairman of the Board. The Board of Director s also appointed Mr. Dale McSween as Interim CEO until such time as a successor to Mr. Yull is appointed. As discussed in further detail below, due to the Company s on-going strategic alternatives process, the appointment of a new CEO has been put on hold.

During the first quarter of 2006, petroleum-based resin prices started decreasing. Accordingly, in order to remain competitive, the Company reduced sales prices for certain of its products. This, combined with inventories of higher cost raw materials purchased in the fourth quarter of 2005, resulted in a decrease in the Company s gross margin for the first quarter of 2006. Demand for the Company s products remained relatively weak throughout 2006 and consequently the margin decline continued during the remaining quarters of 2006.

During 2006, the Company also was successful in reducing the amount of working capital required to run its business by $44 million as a result of reducing inventories and improving terms and collections in the area of accounts receivable. The Company also invested in manufacturing equipment and IT infrastructure to add capacity, improve productivity and to expand certain of its operations The capital investment program for 2006 included adding three

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film lines for expanded production of heat shrinkable films and stretch wrap. These lines were installed in the Danville, Virginia, Tremonton, Utah, and Porto, Portugal plants. The Company also successfully improved inventory management through investment in third party inventory planning software.

2006-2007

The Company s business underwent significant change in 2006 necessitating, in Management s view, making several revisions to its business model. In spring 2006, the Company began importing general purpose acrylic tape for sale to its distributors though it continues to manufacture more value-added acrylic tape products. In March 2006, the Company closed its FIBCs manufacturing facility in Piedras Negras, Mexico, substantially reducing its manufacturing capacity for this product group. The Company s revised business model also includes its almost exclusive reliance on imported bags to meet customers demand except for a limited manufacturing capability in the Company s Hawkesbury, Ontario facility where the Company manufactures specialty bags and provides customers with emergency product fulfillment.

2006 was also marked by declining sales volumes and narrower gross margins as compared to 2005. As discussed below, there were a variety of factors contributing to both the sales volume decline and the narrowing of gross margins, but one of the most significant factors was the Company s customer account rationalization process, which accounted for approximately forty percent of the sales volume decline experienced by the Company in 2006. The Company exited several unprofitable customer accounts and streamlined its product offering, particularly with respect to products sold to its consumer accounts.

While some of the sales volume decline was the result of deliberate account rationalization, and other factors were temporary in nature, markets for several of the Company s products did demonstrate sustained gross margin compression during 2006. In recognition of changes in the underlying business, the Company conducted an interim test of its goodwill for possible impairment as at September 30, 2006. As a result of the impairment test, the Company recorded an impairment of goodwill charge in the amount of $120.0 million. The Company performed its annual impairment test at December 31, 2006 and concluded that no additional impairment charge was necessary.

Throughout 2006, the Company continually sought ways to restructure its business and reduce costs to levels more commensurate with near term anticipated sales volumes and gross margins. The Company estimates that through certain cost-cutting measures it implemented in 2006, it has reduced its annual operating costs by approximately $28.0 million. Many of the cost reduction measures undertaken by the Company required the recognition of significant one-time costs. Details of the Company s reductions of annual operating costs in 2006, as well as the significant one-time costs incurred by the Company in connection therewith, are described in more detail in Management s Discussion & Analysis incorporated herein by reference

In 2006, the Company closed its Piedras Negras, Mexico, Brighton, Colorado, and Cap-de-la Madeleine, Quebec plants. The facility in Piedras Negras, Mexico was closed as the

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Company changed its FIBC business model, eliminating most domestic manufacturing and relying almost exclusively on import fulfillment. Though the implementation of the import sourcing model resulted in a reduction in revenue, it permitted the Company to increase gross margins and improve profitability in its FIBC product line.

Production from the Company s Brighton, Colorado plant was shifted late in 2006 to the Company s Danville, Virginia, and Richmond, Kentucky facilities. This consolidation was made possible by productivity increases at the Danville, Virginia facility and the commercialization of a new rubber compounding technology at the Richmond, Kentucky facility. Additionally in 2006, the Company transferred the production at its Cap-de-la Madeleine facility to its Brantford, Ontario facility. The consolidation of a large percentage of the Company s paper packaging products provided a base for the Company s investment in a ten color printing press for its Brantford, Ontario facility.

Lastly, as previously announced, during 2006 TD Securities Inc. was engaged to work with management in order to carry out a detailed financial and operational review of the Company. Additionally, in October 2006, the Board of Directors decided to explore what strategic alternatives may be available to the Company to enhance shareholder value. TD Securities Inc. was also engaged to work with the Board and management in this strategic alternatives review process. This process is continuing.

3.2

Credit/Debt Information

Indebtedness

Intertape Polymer Group reduced indebtedness associated with long-term debt instruments by $50.2 million during 2002, and a further $64.3 million during 2003. Long-term debt increased during 2004 as a result of the capital lease entered into at that time for the new RDC in Danville, Virginia, and by the $325.0 million that was borrowed by the Company in connection with the refinancing completed in August 2004.

In 2005, the Company s indebtedness increased by $10.0 million due to the Company s borrowing in connection with its acquisition of Flexia Corporation and Fib-Pak Industries, Inc. This was offset by a reduction in long-term debt of $3.0 million in accordance with the Company s debt amortization schedule. In 2006, the Company reduced its long-term debt by an additional $3.0 million and its revolving credit facility by $15.0 million.

Credit Agreements and Notes

On July 28, 2004, the Company entered into a new senior secured credit facility consisting of a US$200.0 million seven-year delayed draw Term Loan B facility, a US$65.0 million five-year revolving credit facility, and a US$10.0 million five-year revolving credit facility to be issued in Canadian dollars. The credit facility is secured by a first priority security interest in substantially all of the tangible and intangible assets of, and is guaranteed by, the Company and substantially all of its subsidiaries. Further, on July 28, 2004, the Company completed an offering of US$125.0 million 8-½% Senior Subordinated Notes due 2014. The

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proceeds from the refinancing were used to repay the Company s then existing bank credit facility, redeem all three series of its then existing senior secured notes, pay related make-whole premiums, accrued interest and transaction fees and provide cash for general working capital purposes.

The credit agreement governing the senior secured credit facility and the indenture governing the outstanding Senior Subordinated Notes each contain restrictive covenants that, among other things, limit the Company s ability to incur additional indebtedness, make restricted payments, make loans or advances to subsidiaries and other entities, invest in capital expenditures, sell its assets or declare dividends. In addition, under its Senior Secured Credit Facility, the Company is required to maintain certain financial ratios, including a maximum total leverage ratio, a minimum interest coverage ratio and a minimum fixed charge ratio.

In 2006, the Company amended its credit agreement on two occasions, the first being in the second quarter to obtain a waiver for certain non-recurring costs, and the second in the fourth quarter to amend the financial covenants in the agreements due to the changes in the Company s business model.

For additional information regarding the Company s Senior Secured Credit Facility and Senior Subordinated Notes, see Item 14, Material Contracts .

3.3

Significant Acquisitions

While the Company made no acquisitions in 2006, historically acquisitions have played a significant role in the Company s strategy for growth and entry into new product markets.

In June 2003, the Company acquired the remaining fifty percent of the issued and outstanding common shares of Fibope Portuguesa-Filmes Biorientados S.A. (Fibope). Intertape Polymer Group acquired Fibope in order to provide a viable platform from which to introduce its North American made products into European markets. In 2006, the Company completed a building expansion and added a third extrusion line and associated converting equipment to the Fibope facility.

In February 2004, the Company completed the purchase for a cash consideration of $5.5 million plus contingent consideration (dependent on business retention), of the assets relating to the masking and duct tape operations of tesa tape, inc. The Company also finalized a three-year agreement to supply duct tape and masking tape to tesa. The production of the acquired business was integrated into the Company s Columbia, South Carolina manufacturing facility. This acquisition provided the Company s retail business with access to several large retail chains not previously serviced by the Company.

The Company s last significant acquisition was closed on October 5, 2005, when Intertape Polymer Group s wholly owned subsidiary, Intertape Polymer Inc., for an aggregate consideration of approximately $30.0 million (after purchase price adjustments which occurred in 2006), acquired all of the issued and outstanding shares of Flexia Corporation Ltd., being the body corporate that resulted from the amalgamation of Flexia Corporation and Fib-Pak

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Industries, Inc. These companies produce a wide range of engineered coated and laminated products, and polypropylene fabrics, and this production was complementary to the Company s existing coated products business based in Truro, Nova Scotia, as well as its FIBC business. The Company believes that this acquisition increased its market share in certain product groups and provided the Company with an enhanced geographic proximity to its customers and suppliers.

The Company has integrated Flexia and Fib-Pak and their operations are now organized and operated under a wholly-owned limited partnership, ECP L.P. The combination of ECP L.P. operations along with the Company s existing coated products business based in Truro, Nova Scotia, has resulted in certain synergies and cost savings to the Company as a result of head count reductions, purchasing cost reductions, manufacturing cost reductions and global sourcing opportunities.

The Flexia and Fib-Pak acquisition met the definition of a significant acquisition , as that term is understood with reference to Part 8 of the Canadian National Instrument 51-102-*Continuous Disclosure Obligations*. A Business Acquisition Report on Form 51-102F4 was filed by the Company on December 20, 2005, and is incorporated herein by reference.

Set forth below is a summary of the Company s acquisitions since 1996.

Completed Acquisitions

Year	**Annual Cost of Acquisitions** (US$ in millions)	**Company**	**Location**	**Products**
1996	$5.3	Tape, Inc.	Green Bay, Wisconsin	Water-activated packaging tapes
1997	$42.9	American Tape Co.	Marysville, Michigan Richmond, Kentucky	Pressure-sensitive tapes, masking tapes
1998	$103.9	Anchor Continental, Inc.	Columbia, South Carolina	Pressure-sensitive tapes, masking and duct tapes
1998	$9.3	Rexford Paper Company	Milwaukee, Wisconsin	Pressure-sensitive and water-activated tapes
1999	$111.3	Central Products Company and	Menasha, Wisconsin Brighton, Colorado	Pressure-sensitive and water-activated carton sealing tapes

		Spinnaker Electrical Tape Company	Carbondale, Illinois	Pressure-sensitive electrical tapes
2000	$38.4	Olympian Tape Sales, Inc.	Cumming, Georgia	Distribution of packaging products

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2003	$7.2	Fibope Portuguesa-Filmes Biorientados S.A.	Portugal	Manufacture and distribution of shrink film
2004	$5.5	tesa tape inc.	Columbia, South Carolina	Masking and duct tape
2005	$30.0	Flexia Corporation Ltd. (now operating as ECP L.P.)	Brantford, Ontario Hawkesbury, Ontario Langley, British Columbia	Engineered coated products, polyethylene scrims, polypropylene fabrics and FIBCs

Item 4.

Narrative Description of the Business

4.1

General

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

The Company has approximately 2,100 employees with operations in 17 locations, including 14 manufacturing facilities in North America and one in Europe.

Intertape Polymer Group has assembled a broad range of products by leveraging its manufacturing technologies, its research and development capabilities, global sourcing expertise and its strategic acquisition program. Since 1995, the Company has made a number of strategic acquisitions in order to offer a broader range of products to better serve its markets. The Company s extensive product line permits Intertape Polymer Group to offer tailored solutions to a wide range of end-markets including food and beverage, consumer, industrial, building and construction, oil and gas, water supply, automotive, medical, agriculture, aerospace and military applications.

4.2

Products, Markets and Distribution

The Company manufactures a variety of specialized polyolefin plastic and paper based products, as well as complementary packaging systems for use in industrial and retail applications. These products include Intertape® pressure sensitive and Central™ water-activated

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carton sealing tapes; industrial and performance specialty tapes including paper, duct, electrical and reinforced filament tapes; Exlfilm® shrink film and StretchFLEX® stretch wrap. The Company's products are manufactured and sold under the Intertape® family of brands to industrial distributors, retailers and to third parties under private brands. For the years ending December 31, 2006, and December 31, 2005, tapes and films accounted for 77% and 83%, respectively, of the Company s sales.

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

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

On October 5, 2005, Intertape Polymer Inc., a subsidiary of the Company, acquired all of the issued and outstanding shares of Flexia Corporation Ltd., being the body corporate that resulted from the amalgamation of Flexia Corporation and Fib-Pak Industries, Inc. The businesses of such companies are now operating under a wholly-owned limited partnership, ECP L.P. ECP L.P. is a producer of a wide range of engineered coated and laminated products with facilities located in Langley, British Columbia, Brantford, Ontario, and Hawkesbury, Ontario.

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

The Company s engineered coated products are categorized in six markets: (E) Building and Construction, (F) Agro-Environmental, (G) Consumer Packaging, (H) Specialty Fabrics, (I) Industrial Packaging, and (J) FIBCs. For the years ended December 31, 2006 and December 31, 2005, engineered coated products accounted for 23% and 17%, respectively, of the Company s sales.

A.

Carton Sealing Tapes

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

Hot Melt Tape

Hot melt carton sealing tape is a polypropylene film coated with a synthetic rubber adhesive which offers a wide range of application flexibility and is typically used in carton

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sealing applications. Primary competitors are 3M Co., Shurtape Technologies LLC and Vibac Group.

Acrylic Tape

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

Natural Rubber Tape

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

Water Activated Tape

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

B.

Industrial & Specialty Tapes

The Company produces seven primary industrial and specialty products: Paper Tape, Flatback Tape, Duct Tape, Filament Tape, Stencil Products, Electrical Tape, and Double-Coated Tape.

Paper Tape

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

Flatback Tape

Flatback tape is manufactured using a smooth kraft paper substrate coated with a natural rubber/SIS blended adhesive. Flatback tape is designed with low elongation and is widely used in applications such as splicing where the tape should not be distorted. Typical applications for

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flatback tape include printable identification tapes, label products and carton closure. Primary competitors of the Company for this product are Shurtape Technologies, LLC, and 3M Co.

Duct Tape

Duct tape is manufactured from a polyethylene film that has been reinforced with scrim and coated with natural/synthetic rubber blend adhesive or speciality polymer adhesives. Duct tape is primarily used by general consumers for a wide range of applications. Duct tapes are also used in maintenance, repair and operations, in the heating, ventilation and air conditioning markets, construction and in the convention and entertainment industries. Primary competitors of the Company for this product are Covalence Specialty Materials Corp., 3M Co. and Shurtape Technologies, LLC.

Filament Tape

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

Stencil Products

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

Electrical and Electronic Tapes

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

Performance Plastics.

Double-Coated Tapes

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

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C.

Films

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

Exlfilm® Shrink Film

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

StretchFLEX® Stretch Wrap

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

The Company uses state-of-the-art multi-layer technology for the manufacturing of its StretchFLEX® stretch wrap. This technology has allowed the Company to focus on the introduction of a high performance product while reducing manufacturing costs. The Company introduced Genesys™ in 2005, which is a light gauge high performance film created for wrapping irregularly shaped packages. Primary competitors of the Company for this product include Sigma Plastics Group, Covalence Specialty Materials Corp., Atlantis Plastics Inc., Pliant Corp. and AEP Industries, Inc.

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

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

D.

Protective Packaging

Air Pillows

Air pillows are manufactured by the Company from polyethylene film and are inflated at the point of use with an air pillow machine. Air pillows are used as packaging material for void fill and cushioning applications. Typical end-use markets for air pillows include fulfillment houses, contract packagers, and mail order pharmacies. Primary competitors of the Company for this product are Pregis Corp., Sealed Air Corp., Storopack, Inc., Free-Flow Packaging International Inc. and Polyair Inter Pack Inc.

E.

Building and Construction Products

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

F.

Agro-Environmental Products

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

NovaShield™ Membrane Structure Fabrics

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

AquaMaster® Geomembrane Fabrics

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

Poultry Fabrics

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

G.

Consumer Packaging Products

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

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

H.

Specialty Fabrics

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

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

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

I.

Industrial Packaging Products

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

The Company also manufactures paper mill roll wrap for newsprint, specialty, and fine papers and custom designed fabrics for dunnage bags, which are used to fill space in a shipping container or to position the contents in a container. Dunnage bag fabrics are primarily produced

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at the Company s Hawkesbury, Ontario, facility while paper packaging products are produced at the Company s Brantford, Ontario and Langley, British Columbia, facilities.

J.

FIBC Products

FIBCs are flexible, semi-bulk containers generally designed to carry and discharge 1,500 to 3,500 pounds of dry flowable products such as chemicals, minerals and dry food ingredients. The market for FIBC s is highly fragmented. The Company has established proven supply lines with integrated bag manufacturers in India and China and maintains a small custom manufacturing presence in Hawkesbury, Ontario for domestic specialty bags and for customers wanting small quantities and quick delivery.

4.3

Sales and Marketing

As of December 31, 2006, the Company had a sales force of 101 personnel. The Company participates in industry trade shows and uses trade advertising as part of its marketing efforts. The Company s overall customer base is diverse, with no single customer accounting for more than 5% of total sales in 2006. Sales from facilities located in the United States and Canada accounted for approximately 80% and 15% of total sales, respectively, in 2006, 85% and 10% in 2005, and 85% and 10% in 2004. Export sales represented 5% of the Company s total sales in 2006, 2005, and 2004.

The Company s sales are primarily focused on distribution products and engineered fabric products. Distribution products go to market through a network of paper and packaging distributors throughout North America. Products sold into this segment include carton sealing, masking, duct and reinforced tapes, Exlfilm® and Stretchflex®. In order to enhance sales of the Company s pressure-sensitive carton sealing tape, it also sells carton closing systems, including automatic and semi-automatic carton sealing equipment. The Company s Exlfilm® and Stretchflex® products are sold through an existing industrial distribution base primarily to manufacturers of packaged goods and printing and paper products which package their products internally. The industrial electrical tapes are sold to the electronics and electrical industries.

The Company s engineered fabric products are sold directly to end-users. The Company offers a line of lumberwrap, valve bags, FIBCs and specialty fabrics manufactured from plastic resins. The Company s engineered fabric products are marketed throughout North America.

4.4

Manufacturing and Quality Control

Intertape Polymer Group s philosophy is to manufacture those products that are efficient for it from a cost and customer-service perspective. In cases in which the Company manufactures its own products, the Company seeks to do so utilizing the lowest cost raw material and add value to such products by vertical integration. The majority of the Company s products are manufactured through a process which starts with a variety of polyolefin resins which are extruded into film for further processing. Wide width biaxially oriented polypropylene film is extruded in the Company s facilities and this film is then coated in high-speed equipment with in-house-produced adhesive and cut to various widths and lengths for carton sealing tape. The

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same basic process applies for reinforced filament tape, which also uses polypropylene film and adhesive but has fiberglass strands inserted between the layers. Specific markets demand different adhesives and the Company manufactures acrylic solvent based rubber, hot melt, aqueous acrylic, solvent acrylic, silicone and water-activated adhesives to respond to all demands. Masking tapes utilize the same process with paper as the coating substrate. Duct tapes utilize a similar process with either polyethylene or aluminum foil type coated cloth.

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

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

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

The Company maintains at each of its manufacturing facilities a quality control laboratory and a process control program on a 24-hour basis to monitor the quality of all packaging and engineered fabric products it manufactures. At the end of 2006, ten of the Company s plants were certified under the ISO-9001:2000 quality standards program.

4.5

Equipment and Raw Materials

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

Polyolefin resins are a widely produced petrochemical product and are available from a variety of sources worldwide. Historically, fluctuations in raw material prices experienced by the Company have been passed on to its customers over time. However, the timing and extent of recent price increases have made it difficult for the Company to pass the full impact of such increases on to customers. (Please refer to Section 3.1 for a discussion on raw material pricing.)

4.6

Research and Development and New Products

Intertape Polymer Group s strategy is to create growth opportunities through enhancements of existing products and the introduction of new products. The Company s research and development efforts continue to focus on new products, technology developments, new product processes and formulations.

The Company introduced Exlfilmplus™ and a new family of polyethylene display film ("PE display film") under Clarity™ and Adverpak™ brands. Exlfilmplus™ is a higher performance product than its predecessors given its superior sealing, shrinking and toughness characteristics. PE display film is used in applications where the display of multi-pack or bundled products is required using clear or printed film for retail presentation. These films enable manufacturers, and contract packagers to create durable, standalone multi-packs of products.

In September 2006, the Company introduced its iCushion™ Protective Packaging Inflatable Air Pillow System. A complete standard system consists of a AP-8000C air pillow machine, cart with storage bin, transfer stand and on-demand photo eye. iCushion™ Air Pillows are lightweight, perforated for easy separation and made of clear, non-abrasive poly which will not scratch the product s surface. The Company s air pillows come in four different sizes ranging from 8 x 4 to 8 x 10 , are reusable and recyclable, with disposal requiring a low volume in landfills when deflated.

The research and development group for coated products has recently developed, and received building code approvals for, a new woven, coated, printed and perforated product that is being sold to third parties under private brands and under the FlexGard® brand. In addition, the Company has improved its NovaShield™ fabric, to expand its use and increase the demand for the product. Further developments in the product line are the patented stacked weave and AmorKote™ co-extrusion coating.

The Company's research and development expenses in 2004, 2005 and 2006 totaled $4.2 million, $4.7 million, and $6.3 million, respectively.

4.7

Trademarks and Patents

Intertape Polymer Group markets its tape products under the trademarks Intertape® and Central™, and various private labels. The Company's shrink wrap is sold under the registered trademark Exlfilm®. Its stretch films are sold under the registered trademark Stretchflex®. The Company markets its valve or open mouth bags under the registered trademark Nova-Pac®. The other key ECP products are sold under the registered trademarks Nova-Thene Haymaster®, AquaMaster®, NovaShield™, NovaSeal™, NovaWrap™ and FlexGard®. Its engineered fabric polyolefin fabrics are sold under the registered trademark Nova-Thene®. FIBC's are sold under the registered trademark Cajun® bags. The Company has approximately 146 active registered trademarks, 51 in the United States, 34 in Canada, and 61 foreign, which include trademarks acquired from American Tape, Anchor, Rexford Paper Company, Central Products Company,

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and Flexia. The Company currently has 17 pending trademark applications in the United States and 4 in Canada. It does not have, nor does management believe it important to the Company s business to have, patent protection for its carton sealing tape products. However, the Company has pursued patents in select areas where unique products offer a competitive advantage in profitable markets, primarily in engineered coated products for which the Company has 6 patents and 4 patents pending, film for which it has 9 patents and 1 patent pending, tape products for which it has 5 patents and 7 patents pending, adhesive products for which it has 2 patents and 1 patent pending, container products for which it has 1 patent, and retail for which it has 2 patents pending.

4.8

Competition

The Company competes with other manufacturers of plastic packaging products as well as manufacturers of alternative packaging products, such as paper, cardboard and paper-plastic combinations. Some of these competitors are larger companies with greater financial resources than the Company. Management believes that competition, while primarily based on price and quality, is also based on other factors, including product performance characteristics and service. No statistics, however, on the packaging market as a whole are currently publicly available. Please refer to Section 4.2 above for a discussion of the Company s main competitors by product.

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

4.9

Environmental Regulation

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

The Company s use of hazardous substances in its manufacturing processes and the generation of hazardous wastes not only by the Company, but by prior occupants of its facilities, suggest that hazardous substances may be present at or near certain of the Company s facilities or may come to be located there in the future. Consequently, the Company is required to monitor closely its compliance under all the various environmental laws and regulations applicable to the

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Company. In addition, the Company arranges for the off-site disposal of hazardous substances generated in the ordinary course of its business.

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

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

The Company is currently remediating contamination at its Columbia, South Carolina plant. Intertape Polymer Group completed its remediation of its Montreal manufacturing facility during the third quarter of 2006, sold the property to a third party, and has no residual environmental liability related to the site. As a result of the acquisition of all of the shares of Flexia, the Company inherited limited soil contamination resulting from historical activities at Flexia s facility located in Trois-Rivières (formerly the city of Cap-de-la-Madeleine), Québec. The Company received a letter from the Ministry of Sustainable Development, Environment and Parks confirming that the activities carried out at the Trois-Rivières facility at the time the Company closed the facility were not activities designated under the Land Protection and Rehabilitation Regulation, thus no remediation was necessary at the facility as a result of ceasing its activities. The Company has completed remediation activities at its Marysville, Michigan facility and has requested final approval of the remediation from the State of Michigan. In addition, although certain of the Company s facilities emit regulated pollutants into the air, the emissions are within current permitted limitations, including applicable Maximum Achievable Control Technology (MACT) requirements. The Company believes that the ultimate resolution of these matters should not have a material adverse effect on its financial condition or results of operations.

Intertape Polymer Group and its operating subsidiaries are required to maintain numerous environmental permits and governmental approvals for its operations. Some of the environmental

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

4.10

Employees

As of December 31, 2006, Intertape Polymer Group employed approximately 2,133 people, 164 of whom held either sales-related or administrative positions and 1,969 of whom were employed in operations. Approximately 153 hourly employees at the Company s Marysville plant are unionized and subject to a collective bargaining agreement which expires on April 29, 2007. Approximately 168 hourly employees at the Company s Menasha plant are unionized and subject to a collective bargaining agreement which expires on July 31, 2008. Approximately 27 employees at the Piedras Negras, Mexico facility were unionized and subject to a collective bargaining agreement dated January 1, 2007. Approximately 39 hourly employees at the Company s Carbondale plant are unionized and subject to a collective bargaining agreement which expires on March 4, 2009. The Company s fabric plant in Hawkesbury, Ontario, has 58 unionized employees whose agreement expires October 10, 2008. The bag plant in Hawkesbury, Ontario, is also unionized, having 12 members whose collective bargaining agreement expires on May 15, 2008. In Langley, British Columbia, 50 employees are unionized and their collective bargaining agreement expires on March 31, 2010. The collective bargaining agreement which covers 93 employees at the Company s Brantford, Ontario plant expires on February 28, 2008. Finally, the Company s plant at Trois-Rivières (formerly the city of Cap-de la-Madeleine), Québec, had 36 employees whose collective bargaining agreement was to expire on March 31, 2010. Upon the closing of the plant, the employees were terminated in accordance with the terms of the agreement and the agreement cancelled. The Company has never experienced a work stoppage and it considers its employee relations to be satisfactory.

<u>Item 5. Cautionary Statements and Risk Factors</u>

5.1

Forward-Looking Statements

This Annual Information Form, including the Management s Discussion & Analysis incorporated herein by reference, contains certain "forward-looking statements" concerning, among other things, discussions of the business strategy of Intertape Polymer Group and expectations concerning the Company s future operations, liquidity and capital resources. When used in this Annual Information Form, the words "anticipate", "believe", "estimate", intends , "expect" and similar expressions are generally intended to identify forward-looking statements. Such forward-looking statements, including statements regarding intent, belief or current expectations of the Company or its management, are not guarantees of future performance and

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involve risks and uncertainties. All statements other than statements of historical fact made in this Annual Information Form or in any document incorporated herein by reference are forward-looking statements. In particular, the statements regarding industry prospects and the Company s future results of operations or financial position are forward-looking statements. Forward-looking statements reflect the Company s current expectations and are inherently uncertain. Actual results may differ materially from those in the forward-looking statements as a result of various factors, including those factors set forth below and other factors discussed elsewhere in this Annual Information Form and in the Management s Discussion & Analysis for 2006. In addition to the other information contained in this Annual Information Form, readers should carefully consider the above cautionary statements as well as the risk factors set forth below. The Company undertakes no duty to update its forward-looking statements, including its earnings outlook.

Although the Company believes that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect the Company s actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. These factors include, among other things, the results of the review of strategic alternatives by the Company and whether any transaction will be completed as a result thereof, disruption of normal management and business operations as a result of these activities; reliance on key personnel who may leave the Company due to general attrition or due to uncertainties created by these activities, whether a new Chief Executive Officer will be identified and appointed; the Company s significant indebtedness and ability to incur substantially more debt; restrictions and limitations contained in the agreements governing the Company s debt; the Company s substantial leverage and ability to generate sufficient cash to service its debt; fluctuations in the cost of the Company s principal raw materials; availability of raw materials; the effects of acquisitions the Company might make; the timing and market acceptance of the Company s new products; the Company s ability to achieve anticipated cost savings from its corporate initiatives; competition in the industry and markets in which the Company operates; the Company s ability to comply with applicable environmental laws; potential litigation relating to the Company s intellectual property rights; the loss of, or deterioration of the Company s relationship with, any significant customers; changes in operating expenses or the need for additional capital expenditures; changes in the Company s strategy; and general economic conditions.

In light of these risks and uncertainties, there can be no assurance that the results and events contemplated by the forward-looking statements contained in this Annual Information Form and in the Management s Discussion and Analysis will in fact transpire.

The Management s Discussion and Analysis for 2006 incorporated herein by reference contain certain non-GAAP financial measures as defined under SEC rules, including adjusted net earnings, operating profit, free cash flow, EBITDA, and adjusted EBITDA. The Company believes such non-GAAP financial measures improve the transparency of the Company's disclosure, provide a meaningful presentation of the Company's results from its core business operations, excluding the impact of items not related to the Company's ongoing core business operations, and improve the period-to-period comparability of the Company's results from its core business operations. As required by SEC rules, the Company has provided in its

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Management Discussion and Analysis for 2006 reconciliations of those measures to the most directly comparable GAAP measures.

In addition to the other information contained in this Annual Information Form, readers should carefully consider the above cautionary statements as well as the risk factors set forth below.

5.2

Risk Factors

The Company s Senior Secured Credit Facility contains certain financial covenants which if not met, will result in an event of default.

The Company s Senior Secured Credit Facility requires it to maintain certain financial ratios and meet other financial tests. The Company s failure to comply with these covenants could result in an event of default, which, if not cured or waived, could result in the Company being required to repay these borrowings before their scheduled due date. If the Company were unable to make this repayment or otherwise refinance these borrowings, the lenders under the Senior Secured Credit Facility could elect to declare all amounts borrowed under the Company s Senior Secured Credit Facility, together with accrued interest, to be due and payable, which, in some instances, would be an event of default under the indenture governing the Senior Subordinated Notes. In addition, these lenders could foreclose on the Company s assets. If the Company was unable to refinance these borrowings on favorable terms, the Company s results of operations and financial condition could be adversely impacted by increased costs and less favorable terms, including interest rates and covenants. Any future refinancing of the Company s Senior Secured Credit Facility is likely to contain similar restrictive covenants and financial tests.

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

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

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The Company s substantial debt could adversely affect its financial condition and prevent it from fulfilling its obligations under its Senior Secured Credit Facility or Senior Subordinated Notes.

The Company has a significant amount of indebtedness. As of December 31, 2006, the Company had outstanding debt of approximately $330 million, which represented 55% of its total capitalization. Of such total debt, approximately $205 million, or all of the Company s outstanding senior debt, was secured. Furthermore, an additional $72.5 million (net of $2.5 million in outstanding letters of credit) in loans available under the Company s Senior Credit Facility, subject to certain restrictive covenants, also would be secured, if drawn upon. Of the $72.5 million available at December 31, 2006, $24.0 million was accessible after covenant restrictions and outstanding letters of credit.

The Company s substantial indebtedness could adversely affect its financial condition and make it more difficult for the Company to satisfy its obligations with respect to the Senior Subordinated Notes, as well as its obligations under its Senior Secured Credit Facility. The Company s substantial indebtedness could also increase its vulnerability to adverse general economic and industry conditions; require the Company to dedicate a substantial portion of its cash flows from operations to payments on its indebtedness, thereby reducing the availability of the Company s cash flows to fund working capital, capital expenditures, research and development efforts and other general corporate purposes; limit the Company s flexibility in planning for, or reacting to, changes in its business and the industry in which it operates; place the Company at a competitive disadvantage compared to its competitors that have less debt; and limit the Company s ability to borrow additional funds on terms that are satisfactory to it or at all.

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

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

The Company s Senior Subordinated Notes and Senior Secured Credit Facility contain covenants that limit its flexibility and prevents the Company from taking certain actions.

The indenture governing the Company s Senior Subordinated Notes and the credit agreement governing the Company s Senior Secured Credit Facility include a number of significant restrictive covenants. These covenants could adversely limit the Company s ability to plan for or react to market conditions, meet its capital needs and execute its business strategy.

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

The Company s Senior Secured Credit Facility includes other and more restrictive covenants and prohibits the Company from prepaying its other debt, including the Senior Subordinated Notes, while borrowings under the Company s Senior Secured Credit Facility are outstanding.

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

Intertape Polymer Group has historically been able to pass on significant raw material cost increases through price increases to its customers. Nevertheless, the Company s results of operations for individual quarters can and have been negatively impacted by raw material cost increases and decreases. For example, during the last quarter of 2005, there was a sharp increase in raw material costs, especially polyethylene, due to damage to Gulf Coast refineries as a result of hurricanes. Starting late in the first quarter of 2006 and throughout the second quarter, the Company had to reduce its selling prices for resin-based film products several times as a result of resin price decreases. These fluctuations adversely affected the Company s profitability. As a result of raw material cost fluctuations, the Company has to either hold prices firm which results in a reduced market share or decrease prices which compresses the Company s gross margins. The Company s profitability in the future may be adversely affected due to continuing fluctuations in raw material prices. Additionally, the Company relies on its suppliers for deliveries of raw materials. If any of its suppliers were unable to deliver raw materials to the Company for an extended period of time, there is no assurance that the Company s raw material requirements would be met by other suppliers on acceptable terms, or at all, which could have a material adverse effect on the Company s results of operations.

The Company s efforts to review strategic alternatives may or may not result in a transaction and disrupts normal management and business operations.

The Company has initiated a process to explore and evaluate various strategic and financial alternatives that may be available to enhance shareholder value. This ongoing process disrupts normal management and business operations. Further, as a result of the uncertainty created by these activities, key personnel may leave the Company. To mitigate this risk the Company entered into retention compensation agreements with selected key personnel payable June 14, 2007. There is no guarantee that a transaction will result from this process.

The Company is operating with an Interim Chief Executive Officer which may create an atmosphere of uncertainty within the Company, its customers, suppliers, and its employees.

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Melbourne F. Yull, Intertape Polymer Group s former Chief Executive Officer and Chairman retired following the Company s annual shareholders meeting on June 14, 2006. H. Dale McSween was subsequently appointed as the Company s Interim Chief Executive Officer. As a result of the Company s continuing strategic alternatives process, the Company has suspended efforts to hire a CEO. The foregoing may cause an atmosphere of uncertainty within the Company which may negatively impact the perception of the Company by its customers and/or suppliers, and which may affect the Company s relationship with its employees.

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

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

The Company faces significant competition.

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

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

In addition, there has been an increasing trend among the Company s customers towards consolidation. With fewer customers in the market for its products, the strength of the Company s negotiating position with these customers could be weakened, which could have an adverse effect on its pricing, margins and profitability.

Intertape Polymer Group faces risks related to its international operations.

The Company has customers and operations located outside the United States and Canada. In 2006, sales to customers located outside the United States and Canada represented approximately 5% of its sales. The Company s international operations present it with a number of risks and challenges, including the effective marketing of the Company s products in other countries; tariffs and other trade barriers; and different regulatory schemes and political environments applicable to its operations in these areas, such as environmental and health and safety compliance.

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

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

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

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

The Company obtains Phase I or similar environmental site assessments, and Phase II environmental site assessments, if necessary, for most of the manufacturing facilities it owns or leases at the time it either acquires or leases such facilities. These assessments typically include general inspections and may involve soil sampling and/or ground water analysis. The assessments have not revealed any environmental liability that, based on current information, the Company believes will have a material adverse effect on it. Nevertheless, these assessments may not reveal all potential environmental liabilities and current assessments are not available for all facilities. Consequently, there may be material environmental liabilities that the Company is not aware of. In addition, ongoing clean up and containment operations may not be adequate for purposes of future laws and regulations. The conditions of the Company s properties could also

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be affected in the future by neighboring operations or the conditions of the land in the vicinity of its properties. These developments and others, such as increasingly stringent environmental laws and regulations, increasingly strict enforcement of environmental laws and regulations, or claims for damage to property or injury to persons resulting from the environmental, health or safety impact of its operations, may cause the Company to incur significant costs and liabilities that could have a material adverse effect on it.

Except as described below, the Company believes that all of its facilities are in material compliance with applicable environmental laws and regulations and that it has obtained, and is in material compliance with, all material permits required under environmental laws. The Company is currently remediating contamination at its Columbia, South Carolina plant. As a result of the acquisition of all of the shares of Flexia, the Company has inherited limited soil contamination resulting from historical activities at Flexia s facility located in Trois-Rivières (formerly the city of Cap-de-la-Madeleine), Québec. The Company received a letter from the Ministry of Sustainable Development, Environment and Parks confirming that the activities carried out at the Trois-Rivières facility at the time the Company closed the facility were not activities designated under the Land Protection and Rehabilitation Regulation, thus no remediation was necessary at the facility as a result of ceasing its activities. The Company has completed remediation activities at its Marysville, Michigan facility and has requested final approval of the remediation from the State of Michigan. In addition, although certain of the Company s facilities emit toluene and other pollutants into the air, these emissions are within current permitted limitations. The Company believes that these emissions from its U.S. facilities will meet the applicable future federal Maximum Available Control Technology ("MACT") requirements, although additional testing or modifications at the facilities may be required. Currently, the Company estimates the cost of additional testing or modification at the facilities to comply with MACT requirements will be less than $350 thousand in 2007. The Company believes that the ultimate resolution of these matters should not have a material adverse effect on its financial condition or results of operations.

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

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

Intertape Polymer Group relies on patent protection, as well as a combination of copyright, trade secret and trademark laws, nondisclosure and confidentiality agreements and

other contractual restrictions to protect its proprietary technology. Litigation may be necessary to enforce these rights, which could result in substantial costs to the Company and a substantial diversion of management attention. If the Company does not adequately protect its intellectual property, its competitors or other parties could use the intellectual property that the Company has developed to enhance their products or make products similar to the Company s and compete more efficiently with it, which could result in a decrease in the Company s market share.

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

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

Some of Intertape Polymer Group's employees are subject to collective bargaining agreements. Other employees are not part of a union and there are no assurances that such employees will not form or joint a union. Any attempt by employees to form or join a union could result in increased labor costs and adversely affect the Company s business, its financial condition and/or results of operations.

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

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

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

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

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

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

Product liability could adversely affect the Company s business.

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

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

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

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

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

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

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

Intertape Polymer Group and certain of its subsidiaries are incorporated under the laws of Canada. Certain of their directors and executive officers are residents of Canada and a portion of their assets are located outside of the United States. In addition, certain subsidiaries are located in other foreign jurisdictions. As a result, it may be difficult or impossible for U.S. investors to effect service of process within the United States upon Intertape Polymer Group, its Canadian subsidiaries, or its other foreign subsidiaries, or those directors and officers or to realize against them upon judgments of courts of the United States predicated upon the civil liability provisions of U.S. federal securities laws or securities or blue sky laws of any state within the United States. The Company believes that a judgment of a U.S. court predicated solely upon the civil liability provisions of the Securities Act and/or the Exchange Act would likely be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. The Company cannot assure that this will be the case. There is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

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Anti-takeover provisions in the Company s Shareholder Protection Rights Plan may prevent an acquisition.

Intertape Polymer Group has a Shareholder Protection Rights Plan (the   Plan) which will remain in effect through the date immediately following the date of the Company s 2009 annual shareholders   meeting. The effect of the Plan is to currently require anyone who seeks to acquire 20% or more of Intertape Polymer Group s voting shares to make a bid complying with specific provisions of the Plan. Thus, the provisions of the Plan could prevent or delay the acquisition of the Company by means of a tender offer, a proxy contest, or otherwise, in which shareholders might receive a premium over the then current market price of the Company s common shares.

The Company s exemptions under the Securities Exchange Act of 1934 (Exchange Act) as a foreign private issuer limits the protections and information afforded investors.

Intertape Polymer Group is a foreign private issuer within the meaning of the rules promulgated under the Exchange Act. As such, it is exempt from certain provisions applicable to United States companies with securities registered under the Exchange Act, including: the rules under the Exchange Act requiring the filing with the Securities and Exchange Commission of quarterly reports on Form 10-Q or current reports on Form 8-K; the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; and the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any "short-swing" trading transaction (i.e., a purchase and sale, or sale and purchase, of the issuer's equity securities within a period of less than six months). Because of these exemptions, purchasers of Intertape Polymer Group's securities are not afforded the same protections or information generally available to investors in public companies organized in the United States. Intertape Polymer Group previously filed its annual reports on Form 20-F. Commencing with the year ended December 31, 2000, the Company files its annual report on Form 40-F. Intertape Polymer Group reports on Form 6-K with the Commission and publicly releases quarterly financial reports.

Item 6.

Dividends

The Company has no written policy for the payment of dividends. So long as the payment would not result in a violation of the Company s covenants with its lenders and noteholders, there are no other restrictions that would prevent the Company from paying dividends. However, the Company has not paid dividends in the past three years and has no current intention to pay dividends in the upcoming fiscal year. For details regarding the Company s covenants with its lenders and noteholders please refer to the Registration Statement filed on *www.sedar.com* in

Canada and *www.sec.gov* in the U.S. on October 26, 2004 as Registration No. 333-119982, as amended.

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Item 7.

General Description of Capital Structure

7.1

General Description of Capital Structure

Intertape Polymer Group has authorized an unlimited number of voting common shares without par value. The Company also has authorized an unlimited number of non-voting Class A preferred shares issuable in a series, ranking in priority to the common shares with respect to dividends and return of capital on dissolution. The Board of Directors is authorized to fix, before issuance, the designation, rights, privileges, restrictions and conditions attached to the shares of each series of Class A preferred shares. As of December 31, 2006, there were 40,986,940 issued and outstanding common shares and no issued and outstanding preferred shares of the Company. As of March 19, 2007, there were 40,986,940 issued and outstanding common shares of the Company. No preferred shares of the Company are issued and outstanding.

7.2

Ratings

Intertape Polymer US Inc., a finance subsidiary of Intertape Polymer Group, has issued, in the aggregate, $125 million Senior Subordinate Notes that bear interest at 8-½% per annum and that will mature August 1, 2014.

Moody Investor Service, Inc. (Moody) last rated the Senior Subordinate Notes on March 26, 2007 and rated them Caa2, negative outlook, and placed the rating under review. Standard & Poor s (S&P) last rated the Senior Subordinated Notes on November 20, 2006 and rated them CCC/Watch, negative.

The credit ratings provided by S&P and Moody s (collectively Rating Agencies) are not recommendations to buy, hold or sell the securities, as such ratings do not comment on the market price or suitability of the securities for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a Rating Agency in the future if in its judgment circumstances so warrant.

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Ratings for debt instruments are presented in ranges by each of the Rating Agencies. The highest quality of securities are rated AAA, in the case of S&P and Aaa, in the case of Moody s. The lowest quality of securities are rated D, in the case of S&P and C, in the case of Moody s.

Pursuant to Moody s rating system, notes which are rated Caa are considered to be of poor standing and are subject to a very high credit risk. Moody appends numerical modifiers from 1 to 3 on its long-term debt ratings which indicate where the obligation ranks in its rating category, with 1 being the highest. Moody s outlook is its assessment regarding the likely direction of the ratings over the medium term, 18 to 36 months. Moody s rating action reflects the Company s financial performance in 2006 and concern over its ability to meaningfully improve credit metrics over the intermediate term. The negative outlook reflects the limited room under financial covenants in its secured facilities and the lack of definitive information

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with respect to the CEO succession plan or the outcome of the Board s review process concerning various strategic and financial alternatives.

According to the S&P rating system, debt securities rated CCC are judged to be vulnerable to nonpayment, and are dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. CreditWatch highlights the potential direction of a short- or long-term rating. It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by S&P s analytical staff. These may include mergers, recapitalizations, voter referendums, regulatory action, or anticipated operating developments. Ratings appear on CreditWatch when such an event or a deviation from an expected trend occurs and additional information is necessary to evaluate the current rating. A listing, however, does not mean a rating change is inevitable, and whenever possible, a range of alternative ratings will be shown. CreditWatch is not intended to include all ratings under review, and rating changes may occur without the ratings having first appeared on CreditWatch. The negative means a rating may be lowered.

Item 8.

Market for Securities

8.1

Trading Prices and Volume on the Toronto Stock Exchange

The Company s common shares are traded on the Toronto Stock Exchange under the symbol ITP . Set forth below is the price range and volume traded on the Toronto Stock Exchange for each month of 2006.

Month	Price Range (CDN$)	Total Volume Traded
January	$9.44 10.40	1,137,200
February	9.26 10.00	734,900
March	9.47 10.10	2,281,100

April	9.53	1,029,200
	10.44	
May	6.74	1,268,300
	9.92	
June	7.25	2,499,000
	7.87	
July	7.04	1,287,100
	7.89	
August	7.30	549,300
	7.95	
September	7.46	1,011,700
	9.18	
October	5.53	2,312,900
	8.46	
November	5.61	1,171,100
	6.75	
December	4.63	1,970,300
	6.19	

8.2

Trading Prices and Volume on the New York Stock Exchange

The Company s common shares are also traded on the New York Stock Exchange under the symbol ITP . Set forth below is the price range and volume traded on the New York Stock Exchange for each month of 2006:

Month	Price Range (US$)	Total Volume Traded
January	$8.19 9.01	1,260,500
February	8.07 8.75	1,166,300
March	8.17 8.70	2,752,900
April	8.39 9.20	2,833,500
May	5.99 8.89	2,237,000
June	6.45 7.14	1,356,500
July	6.27 7.04	1,376,600
August	6.49 7.04	1,203,100
September	6.66 8.16	1,288,100
October	4.95 7.61	1,978,500
November	4.90 5.95	1,743,700
December	4.01 5.30	2,669,300

Item 9.

Escrowed Securities

None of the Company s common shares are currently held in escrow.

Item 10. Directors and Officers

The following table sets forth the name, residence, position, and principal occupations for the last five (5) years of each Director of the Company as of the date hereof, as well as the date upon which each Director was first elected. Each Director is elected for a term of one year and may be nominated for re-election at the Company s following annual shareholders meeting. The next annual shareholders meeting is scheduled to be held on June 26, 2007, at which time the current term of each Director will expire. It is contemplated that each Director will be nominated for re-election at the upcoming annual meeting, except for John Richardson who is not standing for re-election.

Name and City of Residence	**Position and Occupation**	**First Year as Director**
Michael L. Richards	Director, Chairman of the Board	1989
Westmount, Quebec	Attorney, Senior Partner, Stikeman Elliott LLP	

Ben J. Davenport, Jr.	Director	1994
Chatham, Virginia	CEO, Chatham Oil Company, a distributor of oil, gasoline and propane; Chairman & CEO, First Piedmont Corporation, a waste hauling business	
L. Robbie Shaw	Director	1994
Halifax, Nova Scotia	President, IWK Health Centre Foundation Former Vice President, Nova Scotia Community College	
Gordon R. Cunningham	Director	1998
Toronto, Ontario	President, Cumberland Private Wealth Management Inc., a discretionary investment management firm	
John E. Richardson, C.A.	Director	2005
Toronto, Ontario	Chairman, Ontario Pension Board; Chairman, Boiler Inspection and Insurance Company of Canada; Director, Research in Motion; Trustee, Armtec Limited Income Trust; Trustee, Resolve Business Outsourcing Income Fund; former Deputy Chairman of London Insurance Group Inc.; former Chairman, President and CEO of Wellington Insurance Co.; former President of Great Lakes Power; former senior partner of Clarkson Gordon & Co. (now Ernst &Young)	
Thomas E. Costello	Director	2002
Longboat Key, Florida	Former CEO of xpedx , a subsidiary of International Paper Company, from 1991 to 2002 (Since Retired)	
H. Dale McSween	Director	2006
Sarasota, Florida	Interim Chief Executive Officer, Secretary since June, 2006; President ECP Division since 2005; President, Distribution Products 1999 to 2005	

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

Name and City of Residence	Position and Occupation	First Elected To Office
H. Dale McSween Sarasota, Florida	Interim Chief Executive Officer, Secretary President, ECP Division	2006 2005
Andrew M. Archibald, C.A. Sarasota, Florida	Chief Financial Officer	1995
Burgess H. Hildreth Sarasota, Florida	Vice President, Human Resources	1998
Gregory A. Yull Sarasota, Florida	President, Distribution Products	2005

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Jim Bob Carpenter Sarasota, Florida	Executive Vice President, Global Sourcing	2004
Victor DiTommaso, CPA Sarasota, Florida	Vice President, Finance Treasurer	2003 2005

The principal occupations of each executive officer for the last five (5) years is as follows:

H. Dale McSween was appointed Interim Chief Executive Officer in May 2006 while concurrently serving as President of ECP Division, having been appointed that position in October 2005. He was Executive Vice President, Operations and Supply Chain since January 2005 and President, Distribution Products, from December 1999 to January 2005. Prior to that, he was the Chief Operations Officer from 1995 to 1999 and from 1990 to 1995, he served as Vice President/General Manager of the Woven Products Division (ECP).

Andrew M. Archibald has been Chief Financial Officer since May 1995. He was Vice President Administration and Secretary from May 1995 through January 2005. He was Vice President Finance from May 1995, to January 15, 1999. Prior thereto he served as Vice-President, Finance and Secretary of the Company since 1989.

Burgess H. Hildreth has been Vice President, Human Resources, since October, 1998. Prior to that he had been the Vice President Administration of Anchor Continental, Inc. since June, 1996.

Gregory A. Yull was appointed President, Distribution Products (Tapes & Films), in October, 2005. Prior to that he served as Executive Vice President, Industrial Business Unit (for tapes and films) since November 2004, and prior to that was President, Film Products, since June, 1999. Prior to that he was Products Manager - Films since 1995.

Jim Bob Carpenter was appointed Executive Vice President, Global Sourcing in January, 2005. Prior to that he serv