



Annual Information Form

March 29, 2007



Hammond Power Solutions Inc.

Annual Information Form

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HAMMOND POWER SOLUTIONS INC.

ANNUAL INFORMATION FORM

THE COMPANY

Hammond Power Solutions Inc., (the "Company" or "HPS"), was incorporated in 2000, under the Business Corporations Act (Ontario), as the result of a reorganization of Hammond Manufacturing Company Limited ("HMCL"). The reorganization, which split Hammond Manufacturing Company Limited into two publicly-traded companies, was implemented effective January 1, 2001. The dry-type transformer business was spun-off into Hammond Power Solutions Inc., and the enclosure and rack businesses continued as Hammond Manufacturing Company Limited. The oil filled distribution transformer business of Moloney Electric Inc. was also transferred into a separate company, of which the Company and HMCL each hold a 45% equity ownership with the senior management of Moloney Electric Inc., owning the remaining 10% of the shares. The surplus property in Georgetown, Ontario is also jointly owned by the Company and HMCL.

The predecessor company, Hammond Manufacturing Company Limited, was founded in 1917 under the name of O.S. Hammond and Son and was incorporated as Hammond Manufacturing Company Limited in 1944 by letters patent under the laws of Ontario, Canada, and continued through amalgamations, the last of which occurred on January 1, 1999.

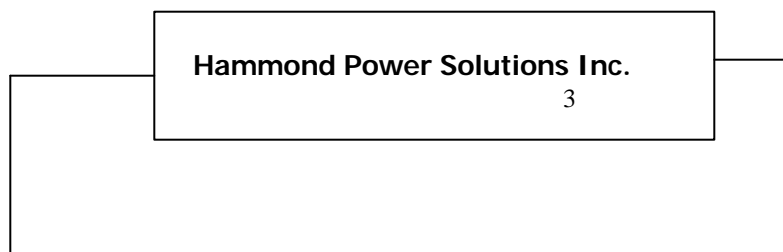
The Company's principal and registered office is located at:
595 Southgate Drive, Guelph, Ontario, N1G 3W6

Phone : (519) 822-2441
Fax : (519) 822-4366
E-mail : ir@hammondpowersolutions.com
Website : www.hammondpowersolutions.com

The Class A Subordinate Voting Shares of the Company trade on the Toronto Stock Exchange (TSX) under the symbol "HPS.A"

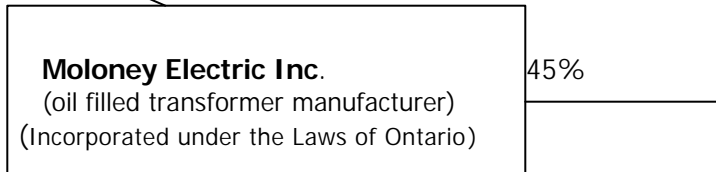
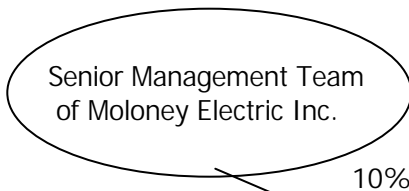
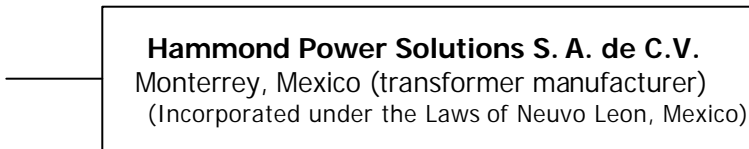
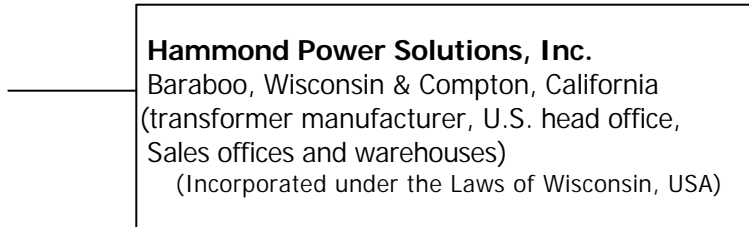
The corporate chart on the next page outlines the corporate structure for the Company.

CORPORATE STRUCTURE



(Incorporated under the Laws of Ontario)

100% subsidiaries



GENERAL

The Company manufactures a wide range of custom and standard dry-type transformers and wound

magnetic products for the electrical and related industries. The Company, and its predecessor company, HMCL, have been designing and building transformers for 90 years. Transformers and related products (often referred to as magnetics) typically include equipment employing magnetic or electrical fields as a functioning principle. Transformers alter the voltage of electrical current. They are generally an assembly of wound coil of electrical grade wire, electrical insulation, mountings and a magnetic path of grain-oriented iron or alloy cores.

Dry-type transformers and related products ranging in size from 12 volts to 34,000 volts, with sizing up to 35 MVA and 200 kVBIL, are designed and manufactured at plants in Guelph and Walkerton, Ontario; Monterrey, Mexico; and Compton, California.

Electrical transformers are used for stepping down voltages for distribution of electricity for commercial, industrial and residential use. The transformer industry may be broken down as follows:

<u>Application</u>	<u>Range of Sizes</u>	<u>Typical End User</u>
Transmission	Over 34,500 volts	Electrical utilities
Distribution	1,200 to 34,500 volts	local power companies
Distribution & Control	12 to 600 volts	commercial, industrial, residential users and OEMs

Dry-type transformers use insulation mediums other than oil and are therefore more environmentally friendly and better suited for higher risk fire areas. Virtually all transformers installed indoors, up to 34,500 volts, are dry-type transformers as they are more cost effective and have lower associated fire risks. With the development of new insulation materials, the physical size of dry-type transformers is being reduced while the power transmitting capacity (as measured in volts) is increasing.

In addition, through its 45% investment in Moloney Electric Inc., the Company will continue to service the utility market with oil filled (pole and pad-mounted) distribution transformers. Moloney Electric Inc. operates plants in Toronto, Ontario; Spruce Grove, Alberta; and Sackville, New Brunswick.

DEVELOPMENT OF THE BUSINESS

Moloney Electric Inc. The Moloney manufacturing operations were transferred to Moloney Electric Inc. effective January 1, 2001, and are owned by the Company and HMCL (45% each) and the senior management team of Moloney (10%); the “senior management team” shares are being acquired through interest free loans repaid in the amount of not less than 8% of the initial principal amount in each calendar year. The properties related to the Moloney operations (Sterling Rd., Toronto, Ontario; Sackville, New Brunswick; and Spruce Grove, Alberta) are held by 1159714 Ontario Inc., which are

jointly owned by the Company and HMCL.

Hammond Power Solutions S.A. de C.V. The newest plant, which started production in mid 2001, is located in Monterrey, Mexico, and was designed and built to support the growing, yet very competitive, commercial and industrial market for general purpose distribution transformers. Experienced employees of the Company were utilized in the set-up and training of the staff in Monterrey to ensure the product met the level of quality and workmanship, which our worldwide customers have come to expect from the Company.

Hammond Power Solutions, Inc. closed the manufacturing operations at the plant in Baraboo, Wisconsin in 2002 and sold the property in 2005. The Company has leased a portion of the facility for six years, which functions as the United States head office, warehouse and sales office.

MANUFACTURING METHODS

The manufacturing of transformers involves the winding of copper and aluminium magnet wire on coil forms, the insertion of the core after it is encapsulated or impregnated in epoxy or polyester varnishes and the mounting of the core and coil assembly in a housing. In the performance of these tasks, the Company uses automated winding machines, core cutters and welders and testers including machines with programmable controls.

The Company employs engineers and technicians to ensure that its products are technologically current and to engineer customized products. The Company's products require a high level of engineering in the design, manufacturing and testing, in order to differentiate them in the marketplace and to improve manufacturing efficiencies. The Company has invested in staff development and equipment employing the latest technologies. These investments allow the Company to compete for contracts which other industry participants may not be able to perform. The Company's growth was supported by our product development and our ability to provide short lead-time product design and manufacturing.

SALES AND MARKETING

The Company employs a small direct sales force and has a number of non-exclusive, independent sales agencies. The Company has sales representatives in Guelph and Toronto, Ontario; Montreal, Quebec in Canada; and Baraboo, Wisconsin and Compton, California in the United States.

The Company serves three primary markets – OEM's (original equipment manufacturers), capital projects and MRO's (maintenance, repair and overhaul market). Each of these three major markets consists of a wide range of sub-markets. Some of the largest markets served by the Company include transformers for power conditioning, crane and hoist manufacturers, mining equipment, drive systems, motor control, internet switching and power systems, oil pumping equipment and power

distribution equipment. Over the last few years, the Company has become an important transformer supplier to many of the biggest electrical equipment manufacturers in the world. These companies include General Electric, Siemens, Schneider, Rockwell, ABB, Eaton Cutler Hammer, Harnischfaeger, Motion Control, Ontario Power Generation, Wholesale Electric, Affiliated Distributors, Bucyrus International, and Danfoss.

The Company's sales are spread broadly among many markets, industries and customers. In 2006, no single customer accounted for more than 10% of the Company's sales, while the ten largest customers accounted for approximately 32% of sales. In 2006, approximately 70% of its sales were in the U.S. and offshore, of which 41% were manufactured in the U.S. and Mexico.

COMPETITION

The Company faces competition from a large number of transformer manufacturers. Most of these competitors tend to be quite small in size and geographically or customer focused. According to industry surveys, the majority of those companies included in the survey had sales of less than \$15 million (U.S.). Other competitors include large companies, such as Asea Brown Boveri Inc., Westinghouse, General Electric, Schneider Electric and others who have substantially greater resources than the Company.

The Company has developed and acquired a number of key competitive advantages. These include the broadest product capabilities as well as the most engineering resources of any of the transformer company competitors. The Company is one of a few which have strong manufacturing capabilities in both the standard and custom transformer business.

RISK FACTORS

Risks and Uncertainties are discussed in "Management's Discussion and Analysis" included in the Company's 2006 Annual Report to Shareholders, which is available on SEDAR at www.sedar.com.

HUMAN RESOURCES

The Company has approximately 650 employees consisting of approximately 20% salaried staff and 80% hourly workers. The majority of the Company's hourly workers are members of associations within their individual plants.

Management characterizes the Company's labour relations as excellent and has not experienced a work stoppage.

The Company has defined contribution pension plans that are available to most employees. The Company's contribution matches the contribution of the eligible employees, who can contribute between 2-4% of their annual earnings.

TRADEMARKS AND LICENSES

The Company markets substantially all its products under the registered trade-name "Hammond Power Solutions Inc." which the Company believes is significant in the marketing of its products. The Company also utilizes certain patents in the manufacture of its products. Management believes these patents are useful but not material to the Company's business as a whole.

RAW MATERIALS

Raw materials for the Company's products consist primarily of metal products of various types, shapes and sizes, and other manufacturing components. The Company purchases its raw materials from many suppliers and is not dependent on any single supplier. Certain of the raw materials used by the Company, such as copper, steel and aluminium, are subject to market price fluctuations, which can be substantial. The Company is not committed to, nor does it have rights under, any long-term supply contracts for these materials.

FACILITIES

The Company operates five manufacturing and/or distribution facilities, two of which are located in Canada (Guelph and Walkerton, Ontario), two in the United States (Baraboo, Wisconsin – the U.S. head office, and Compton, California) and one in Mexico (Monterrey). The Company's manufacturing and corporate services facilities contain a total of approximately 220,000 square feet of space of which approximately 110,000 square feet are leased.

RESEARCH AND DEVELOPMENT

The Company spends in the range of \$200,000 - \$300,000 per annum on development activities. The projects relate primarily to product development, searching for improvements in efficiencies and quality through raw material and process changes.

ENVIRONMENTAL ISSUES

The environmental issues are covered in the Company's 2006 Annual Report to Shareholders in the "Notes to the Consolidated Financial Statements" - see Note 20 (a) (b) – Contingent Liabilities and in "Management Discussion and Analysis" – Contingent Liabilities of the Annual Report which is available on SEDAR at www.sedar.com.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Company has authorized capital of an unlimited number of Class A Subordinate Voting Shares and an unlimited number of Class B Common Shares, each without par value. As at March 29, 2007, there were issued and outstanding 8,684,000 Class A Subordinate Voting Shares and 2,778,300 Class B Common Shares. Each Class A Subordinate Voting Share carries the right to one vote representing approximately 43.9% of the aggregate voting rights. Each Class B Common Share carries the right to four votes. Each such shareholder is entitled to vote at the Annual Meeting, except to the extent that he or she has transferred ownership of such shares after the record date. Stock Options for a total of 268,000 Class A Subordinate Voting shares were outstanding as at March 29, 2007:

Optionees	# of Shares under Option	Exercise Price per Share	Expiry Date
Executive Officers	78,000	\$1.93	July 22, 2012
	15,000	\$6.00	December 5, 2013
Directors	30,000	\$1.93	July 22, 2012
	15,000	\$6.00	December 5, 2013
Senior Management	85,000	\$1.93	July 22, 2012
	45,000	\$6.00	December 5, 2013

MARKET FOR SECURITIES

The Class A Subordinate Voting shares are listed on the Toronto Stock Exchange and trade under the symbol "HPS.A". The following table represents price range and volume traded for the Class A Subordinate Voting shares of the Company for each month of fiscal 2006.

2006	Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Price Range												
Low	2.30	2.46	2.95	3.33	3.30	3.20	3.35	3.80	3.91	4.00	5.10	5.76
High	2.55	3.20	3.60	3.80	3.74	3.52	4.19	4.07	4.14	5.50	6.24	6.93
Volume												
# of shares	61,927	228,274	273,178	265,459	116,901	63,438	87,500	125,952	216,675	374,215	389,886	355,293

DIRECTORS AND OFFICERS

As at the date hereof, the name, municipality of residence, position with the Company and principal occupations of each of the directors and executive officers of the Company, and the period during which each director has served on the board of directors, are as follows:

DIRECTORS:

**Name/Residence/Principal
Occupation/Employment
Business Past 5 Years**

Director Since

WILLIAM G. HAMMOND
Guelph, Ontario
Chairman & Chief Executive Officer of the Company

January 2001

ZOLTAN D. SIMO
Toronto, Ontario
Company Director

January 2001

DONALD H. MACADAM

May 2001

Port Dover, Ontario
Chief Executive Officer, MBVax Bioscience Inc.
-a manufacturer of therapeutic cancer vaccine

DOUGLAS V. BALDWIN

March 2004

Gormley, Ontario
President, AMPCon Inc.
-a management consulting and investment company

F. AIRAFTIS

May 2001

Guelph, Ontario
President of the Company

OFFICERS:

Officer Since

Christopher R. Huether,

Guelph, Ontario - Chief Financial Officer & Corporate Secretary

January 2001

Mr. W. G. Hammond

Mr. Hammond is Chairman, CEO and a Director of the Company. He served as President of Hammond Manufacturing Company Limited, from 1994 to 2001 with responsibility for both the Transformer and Enclosure Groups. From 1978 to 1994, Mr. Hammond was directly responsible for Corporate Sales, Marketing, HR and Logistics, also with Hammond Manufacturing Company Limited. Mr. Hammond holds a B.A. from The University of Western Ontario.

Mr. Zoltan D. Simo

Mr. Simo has served as a Director of Hammond Power Solutions Inc. since 2001. He is the current President and Corporate Director of OMIS Investments Inc. and also serves on the Audit Committee and Executive Committee of Shawcor Ltd. Mr. Simo holds a B.A. from the University of Saskatchewan and an MBA from McMaster University.

Mr. Donald MacAdam

Mr. MacAdam has served as Chairman of the Audit Committee and Director of the Board of Hammond Power Solutions Inc., since 2001. He is the current President, CEO and Director of MBVax Bioscience

Inc. October, 2005. Prior to that Mr. MacAdam was the former president of A360 Inc. Mr. MacAdam also currently sits on the Board of Directors of Malibu Labs Inc., and has served as President, CEO, Director and Chairman of several other Canadian corporations.

Mr. Douglas V. Baldwin

Mr. Baldwin has served as a Director of Hammond Power Solutions Inc. since 2004. He is currently the President of AMPCon Inc., a position he has held since January 1, 2006, previously, the past President & CEO of Electro Federation Canada, and past President & CEO of Schneider Electric Inc. Mr. Baldwin was also appointed to the Board of Directors of Moloney Electric Inc., in 2005.

Mr. F. A. Raftis

Mr. Raftis is the President and a Director of Hammond Power Solutions Inc. He served as President of Hammond Manufacturing Company - Transformer Group from 1991 until 2001. Prior to joining Hammond, Mr. Raftis held several engineering and management positions with Westinghouse Electric. Mr. Raftis has also served as Chairman, Supply & Distribution Council of Electro Federation and Chairman of St. Joseph's Hospital. Mr. Raftis is a Professional Engineer and a graduate of the University of Toronto with a Masters Degree in Electrical Engineering.

Mr. Christopher R. Huether

Mr. Huether is the Chief Financial Officer and Corporate Secretary of Hammond Power Solutions Inc. Mr. Huether held various positions including Group Controller with Hammond Manufacturing Company Limited - Enclosure and Transformer Groups from 1985 – 2000. Mr. Huether is a Certified Management Accountant, CMA, member of the Society of Management Accountants of Ontario and has a Business Diploma from Fanshawe College.

The Audit Committee and Compensation Committee are comprised of the three independent Directors, which are Zoltan D. Simo, Douglas V. Baldwin and Donald H. MacAdam.

All Directors are members of the Corporate Governance Committee.

The Directors are elected at each annual meeting of the shareholders and will serve until the next annual general meeting of shareholders.

NOTES OF SHAREHOLDINGS OF DIRECTORS

William G. Hammond beneficially owns 241,655 Class A Subordinate Voting Shares of the Company directly. In addition, William G. Hammond beneficially owns all the outstanding shares of Arathorn Investments Inc., which beneficially owns 748,110 Class A Subordinate Voting Shares and 2,778,300

Class B Common Shares of the Corporation directly.

The directors and other officers of the Company cumulatively own 2.6% of Class A Subordinate Voting Shares, directly or indirectly.

The information as to shares beneficially owned by the directors, not being within the knowledge of the Company, has been furnished by the respective directors.

Selected Consolidated Financial Data

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data of the company, as it relates to the five years ended December 31, is derived from the audited consolidated statements of the Company.

	Years ended December 31				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Income Statement Data	\$000's, except per share amounts				
Sales	\$131,978	\$98,896	\$81,349	\$73,408	\$75,170
Gross Profit - \$	36,949	26,545	21,109	17,277	17,679
- %	28.0%	26.8%	25.9%	23.5%	23.5%
EBITDA	16,238	9,789	6,361	2,152	3,797
Earnings from operations	14,067	7,231	4,627	209	1,298
Net Income (Loss) for the year	8,674	3,857	1,449	(875)	(168)
Per Share - Basic					
Earnings from operations	\$1.23	\$0.63	\$0.41	\$0.02	\$0.12
Net Income (Loss) for the year	\$0.76	\$0.34	\$0.13	(\$0.08)	(\$0.01)

Balance Sheet Data

Total Assets	57,688	45,260	40,760	41,821	45,978
Bank Indebtedness	1,475	5,463	9,797	14,395	17,268
Current Assets – Current Liabilities (net)	19,708	12,424	7,491	2,628	3,152
Shareholders' Equity	31,781	23,018	18,853	17,380	18,255

Other Data

Cash provided by operations	7,661	4,280	5042	3,514	3,768
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SELECTED CONSOLIDATED FINANCIAL DATA (Continued)**Quarterly Results**

\$000's, except per share amounts

	<u>Sales</u>	<u>Earnings (Loss) from operations</u>		<u>Net Income (Loss)</u>	
		<u>Amount</u>	<u>per Share basic</u>	<u>Amount</u>	<u>per Share basic</u>
April 1, 2006	\$29,715	2,124	\$0.19	1,172	\$0.10
July 1, 2006	32,020	2,653	\$0.23	1,338	\$0.12
September 30, 2006	33,397	3,125	\$0.27	1,815	\$0.16
December 31, 2006	36,846	6,165	\$0.54	4,349	\$0.38
Full Year 2006	131,978	14,067	\$1.23	8,674	\$0.76
April 2, 2005	\$22,063	1,473	\$0.13	532	\$0.05
July 2, 2005	24,673	1,551	\$0.14	934	\$0.08
October 1, 2005	24,678	1,719	\$0.15	957	\$0.08
December 31, 2005	27,482	2,488	\$0.21	1,434	\$0.13
Full Year 2005	98,896	7,231	\$0.63	3,857	\$0.34

March 31, 2004	\$20,033	755	\$0.07	169	\$0.01
June 30, 2004	19,904	934	\$0.08	307	\$0.03
September 30, 2004	20,918	1,546	\$0.14	582	\$0.05
December 31, 2004	20,494	1,392	\$0.12	391	\$0.03
Full Year 2004	81,349	4,627	\$0.41	1,449	\$0.13

REVIEW OF OPERATIONS

Information is included in the Company's 2006 Annual Report to Shareholders, which is available on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis information is included in the Company's 2006 Annual Report to Shareholders, which is available on SEDAR at www.sedar.com.

LEGAL PROCEEDINGS

The property at 2 Glen Road, Georgetown, Ontario is owned equally as a co-tenant with Hammond Manufacturing Company Limited and any expenses or liabilities in respect of the property have been agreed to be shared equally. In January 2002, the two owners were served with a statement of claim by an adjoining industrial property owner, in which the plaintiff has claimed damages in the amount of \$8 million for negligence, breach of warranty and other matters relating to alleged environmental contamination of the property. The Company intends to vigorously defend the action if it proceeds. In 2004, the Company and Hammond Manufacturing Company Limited served a counter-claim against the plaintiff in the amount of \$8 million. Both claims, by agreement between the parties, are in abeyance. The parties, under the direction of the Ministry of the Environment, are in the process of undertaking a coordinated and shared investigation of the condition of the property and remediation options. In 2006, although the exact approach for active remediation has not yet been finalized, progress has been made with respect to a determination of remediation alternatives and estimates of related costs to the Company. The Company has received and reviewed various quotations in regard to potential remediation activities that may be pursued. Based on this information, a provision of \$383,000 has been accrued at December 31, 2006 (December 31, 2005 – nil) for the Company's portion of the estimated environmental remediation costs for this site.

Ongoing legal and consulting costs pertaining to the Glen Road site incurred during the year, described above, totaled \$282,000, of which HPS' share of these costs was \$141,000 (2005 - \$72,000).

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

William G. Hammond, Chairman and CEO, a director and shareholder of the Company, controls Arathorn Investments Inc., which is the major holder of shares of the Company through which it exercises voting control.

Management is not aware of any interest of insiders in material transactions with the Company.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Company's Audit Committee operates under a written charter that sets out its responsibilities and composition requirements. A copy of this charter is attached in Schedule "A" to this Annual Information Form.

Composition of Audit Committee

The Audit Committee is currently composed of three directors, Messrs. Donald H. MacAdam, Zoltan D. Simo and Douglas V. Baldwin, all of whom are independent and financially literate, as those terms are defined in Multilateral Instrument 52-110 – *Audit Committees*.

EXTERNAL AUDIT AND TAX FEES

The following summarizes the professional services rendered by KPMG LLP to the Company for the years ended December 31, 2006, and December 31, 2005:

Professional Service	2006	2005
Annual Financial Statement Audit	\$95,000	\$98,600
Preparation of the tax returns for HPS and all related subsidiaries in Canada and the U.S., income tax advisory services and miscellaneous professional tax services	\$85,000	\$70,400
HPS Pension Plan Audit	\$7,000	\$6,600

TRANSFER AGENT

The Company's registrar and transfer agent is Computershare Trust Company of Canada in Toronto, Ontario.

MATERIAL CONTRACTS

There is no contract, other than a contract entered into in the ordinary course of business, that is material to the Company and that was entered into within the most recently completed financial year or before the most recently completed financial year but is still in effect.

ADDITIONAL INFORMATION

Additional information, including directors and officer's remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation

plans, is contained in the Information Circular for the 2007 Annual Meeting of Shareholders.

Additional financial information is provided in the Company's financial statements and Management's Discussion and Analysis for its most recently completed financial year.

Additional information concerning the Company including the materials listed in the preceding paragraphs may be found on SEDAR at www.sedar.com.

The foregoing, together with any information incorporated by reference, contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated herein in accordance with the requirements of this Annual Information Form or that is necessary to make a statement contained herein not misleading in light of the circumstances in which it was made.

Schedule A

Hammond Power Solutions Inc.

Audit Committee Charter

GUIDING STANDARDS

It is the Company's desire to achieve the highest possible standard of responsible corporate governance. Financial reporting and financial controls are two important components of that effort. At a minimum, the Company must satisfy all statutory and regulatory requirements. The Audit Committee, however, shall guide its effort by, and measure its effectiveness against, the following Guiding Standards:

- The accurate, complete, and timely reporting of the Company's financial position, results of operations and prospects.
- The financial controls necessary to give shareholders, directors, creditors, and employees of the Company the highest confidence in the integrity and sufficiency of the Company's financial systems, are in place and operating effectively.

Members

The Board of Directors shall appoint an Audit Committee of at least three members, consisting entirely of "independent" directors of the Board, and shall designate one member as chairperson. For purposes hereof, "independent" shall mean a director who meets the Toronto Stock Exchange definition of "independence" – (Multilateral Instrument 52-110 – Audit Committees).

Each member of the Audit Committee has been determined by the Board to be “independent” and “financially literate.” Each member of the Audit Committee has the ability to perform his responsibilities as an Audit Committee member based on his education and/or experience.

Purposes, Duties, and Responsibilities

The Audit Committee shall represent the Board of Directors in discharging its responsibility relating to the accounting, reporting, and financial practices of the Company and its subsidiaries, and shall have responsibility for surveillance of internal controls and accounting and audit activities of the Company and its subsidiaries. The Audit Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company’s financial statements. Specifically, the Audit Committee shall:

1. Recommend to the Board of Directors and evaluate the firm of independent public accountants to be appointed as auditors of the Company, which firm shall be ultimately accountable to the Board of Directors through the Audit Committee.

Schedule A

Audit Committee Charter (cont’d)

2. Review and discuss with the outside auditors their audit procedures, including the scope, fees and timing of the audit, and the results of the annual audit examination and any accompanying management letters and any reports of the outside auditors with respect to interim periods.
3. Review and discuss the written statement from the outside auditor of the Company concerning any relationships between the auditor and the Company or any other relationships that may adversely affect the independence of the auditor and, based on such review, assess the independence of the outside auditor.
4. Review and discuss with management and the outside auditors the annual financial statements of the Company, including significant issues regarding accounting principles, practices, and significant management estimates and judgements.
5. Recommend to the Board of Directors whether, based on the review and discussion described in paragraphs (ii) through (iv) above, the financial statements should be included in the Annual Report.
6. Review and discuss with management the Company’s quarterly financial results and related documents and approve prior to filing or distribution.
7. Review and discuss with management and the outside auditors: (a) any material financial or non-financial arrangements of the Company which do not appear on the financial statements of the Company; and (b) any transactions or courses of dealing with parties related to the Company which transactions are significant in size or involve terms or other aspects that differ from those that would likely be negotiated with

independent parties, and which arrangements or transactions are relevant to an understanding of the Company's financial statements.

8. Review and discuss with management and the outside auditors the adequacy of the Company's internal controls and financial reporting controls.
9. Review and discuss with management and the outside auditors the accounting policies which may be viewed as critical, and review and discuss any significant changes in the accounting polices of the Company and accounting and financial reporting proposals that may have a significant impact on the Company's financial reports.

Schedule A

Audit Committee Charter (cont'd)

10. Establish policies and procedures for the engagement of the outside auditors to provide non-audit services, and consider whether the outside auditor's performance of specific non-audit services is compatible with the auditor's independence.
11. Review material pending legal proceedings involving the Company and other contingent liabilities.
12. Review the appropriateness of the Audit Committee Charter on an annual basis and periodically perform self-assessments of audit committee performance.
13. Review financial and accounting personnel succession planning within the Company.
14. Annually review the adequacy of insurance coverage for directors, officers, Board committee chairs and committee members.
15. Review and approve management's decisions related to the need for internal auditing.

Meetings

The Audit Committee shall meet as often as may be deemed necessary or appropriate in its judgement, generally four times each year, either in person or by telephone. The Audit Committee shall meet in executive session with the outside auditors at least annually. The Audit Committee may create subcommittees who shall report to the Audit Committee. The Audit Committee shall report to the full Board of Directors with respect to its meeting. The majority of the members of the Audit Committee shall constitute a quorum.

Investigations

The Audit Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibilities with full access to all books, records, facilities, and personnel and shall have the authority to retain outside counsel, experts and other advisors as it determines appropriate to assist it in the conduct of any investigation.