

THE CALDWELL PARTNERS INTERNATIONAL INC.

Annual Information Form

for the fiscal year ended
August 31, 2011

November 29, 2011

THE CALDWELL PARTNERS INTERNATIONAL INC.

ANNUAL INFORMATION FORM

In this Annual Information Form, all information is as of August 31, 2011 and all dollar amounts are quoted in Canadian dollars, unless otherwise indicated. References to “fiscal 2011”, “fiscal 2010” and “fiscal 2009” are to the fiscal years ended August 31, 2011, 2010 and 2009 respectively.

Incorporation

The Caldwell Partners International Inc. (the “Company” or the “Corporation”) was incorporated by articles of incorporation under Business Corporations Act (Ontario) on August 22, 1979 under the name Prince Arthur Advertising Limited. The Company's name was changed to The Caldwell Partners International Inc. by articles of amendment dated March 28, 1989. Prior to June 1989, the executive search business of the Company was carried on by an affiliated company, formerly named The Caldwell Partners International Ltd. As a result of a reorganization effective June 14, 1989, the Company acquired the entire executive search business of such affiliated company.

The Company filed articles of amendment dated June 15, 1989 to create a capital structure consisting of Class A Non-Voting Shares (“Class A Shares”) and Class B Voting Shares. The Company's articles were amended on May 3, 1995 to subdivide the outstanding Class A Shares and Class B Shares on a two-for-one basis, effective May 12, 1995. On April 23, 1996, the Company's articles were amended to create a new class of shares designated as Class C Special Shares (“Class C Shares”). On May 8, 1996, the Company's articles were amended to subdivide the outstanding Class A Shares and Class B Shares on a two-for-one basis, effective May 30, 1996.

On April 21, 2010, pursuant to a settlement with the Company's founder and former Executive Chairman, C. Douglas Caldwell, holders of both Class A Non-voting Shares and Class B Voting Shares voted in favour of accelerating a previously approved share conversion whereby the Company's voting and non-voting shares were converted into a single class of voting shares. Voting Class B Shares received 1.149 Class A Shares for each of their Class B Shares and all Class A Shares became single-voting common shares. Following approval being received by the Toronto Stock Exchange on May 10, 2010, all 3,883,450 Class B Shares were converted to 4,462,082 Class A shares. Immediately following this conversion, all Class A Shares were then reclassified as Common Shares with one vote per share. Articles of Amendment were filed on April 29, 2010 in respect of such reclassification.

The Company has three direct, wholly-owned Canadian subsidiaries: Caldwell Investments Inc. (“Caldwell Investments”), Prince Arthur Advertising Inc. (“Prince Arthur”) and Caldwell Interim Executives Inc. (“Caldwell Interim”). Each of these subsidiaries is incorporated under the *Business Corporations Act* (Ontario). In 2009, the Company expanded its operations opening offices in the United States of America. A fourth wholly-owned American subsidiary was incorporated as The Caldwell Partners International Ltd. - a Delaware Corporation (“Caldwell USA”).

The head and registered office of the Company is located at 165 Avenue Road, Toronto, Ontario, M5R 3S4.

General Development of the Business

Corporate Overview

The Company is an executive search consulting firm. In 1970, the Company, through a predecessor corporation, became the first consulting organization in Canada to specialize in representing employers in the recruitment of executives.

In the 1970s, the increasing speed with which business decisions had to be made, the turbulent economic conditions and the complexity of technological change created a growing demand for corporate executives able to manage effectively in such circumstances. Among the factors contributing to the increased demands on corporate executives were the changing size and scope of many types of organizations, the increasingly international competitive environment, new types of technology, accelerated innovation tending to quicken the obsolescence of executive skills, continued worldwide social and economic pressures, changing patterns of compensation and an increase in management mobility. The result of this growing complexity was the recognition by the senior managers or boards of directors of many business organizations of the need for expert professional advice to identify, assess and attract high-potential executives to their organizations. The development of the Company has been largely attributable to these factors.

The Company's business is carried on both directly and through its direct, wholly-owned subsidiaries, Caldwell USA, Prince Arthur, Caldwell Investments and Caldwell Interim. Caldwell USA carries on executive search assignment for its clients in the United States of America, Prince Arthur carries on the Company's advertising business and Caldwell Interim conducts the Company's short-term executive hiring business. Caldwell Investments holds the Company's portfolio of marketable securities, fixed income instruments and short-term investments. This portfolio is managed through the investment committee of the Company's board of directors. Currently, all of this \$3.1 million portfolio has been placed with a third-party investment manager and is currently invested in two pooled funds.

Narrative Description of the Business

Overview

The Company is an executive search consulting firm specializing in recruiting executives on behalf of its clients. The Company contracts with its clients, on an assignment basis, to provide consulting advice on the identification, evaluation, assessment and recommendation of qualified candidates for specific positions. The Company concentrates its activities on locating executives to fill senior executive positions.

Sources of Business

The following table summarizes the approximate contribution to the Company's revenue during fiscal 2011 and fiscal 2010 according to industry category:

<u>Industry Category</u>	<u>Percentage of Revenue</u>	
	<u>Fiscal 2011</u>	<u>Fiscal 2010</u>
Financial Services	34%	42%
Information Technology/Professional Services	22%	19%
Life Sciences	17%	12%
Consumer/Retail	12%	6%
Energy and Resources	6%	7%
Educational/Not-for-Profit/Public Sector	5%	8%
Industrial	<u>4%</u>	<u>6%</u>
	100%	100%

The Company has developed particular industry specializations in the financial services, information technology, life sciences, consumer and retail distribution, and energy and resources industries. With offices and partners in Vancouver, San Francisco, Los Angeles, Dallas, Calgary, Atlanta, Toronto, Stamford, New York City, and strategic alliances in London and Hong Kong, the firm takes pride in delivering unmatched level of service and expertise to its clients.

In fiscal 2011, none of the Company's clients accounted for 10% or more of the Company's consolidated revenues.

Human Resources

The Company's growth is, in large measure, attributable to the quality and tenure of its professional staff. The stability and development of this fundamental resource have always been special priorities in the management of the Company. In 2009, the Company aggressively expanded into the United States of America, doubling its number of offices and partners with further expansion continuing throughout 2010 and 2011.

The Company currently employs approximately 100 people, consisting of senior officers, partners, consultants, associates, and other support staff. In selecting its professional staff, the Company has developed a broad representation of industry and functional backgrounds. The professional staff's breadth of experience is a valuable asset of the Company; clients usually prefer to work with professionals who have strong knowledge of the client's business and industry. The business backgrounds of the Company's professionals include retailing, banking, high technology, hospitality, chemicals, consumer and office products, health care and oil and gas as well as previous recruiting and consulting experience. Functionally, finance, marketing, personnel and general management skills are particularly well represented among the professional staff.

The Company's search professionals provide direct client service and are actively involved in executive search operations. The Company's compensation plan for search professionals encourages performance at the highest levels by directly linking compensation to each professional's performance.

All employees of the Company are required to sign a confidentiality covenant, in which they agree to keep strictly confidential the information which individual executives and client organizations provide to the Company. In addition, all executive search professionals have entered into non-solicitation arrangements with the Company.

Information Resources and Technology

In the opinion of the Company's management, the key to effective executive searches is access to current information. The Company is constantly updating and expanding with each new assignment the information that it maintains on organizations, industries, companies and potential candidates. The Company employs research professionals who maintain comprehensive volumes of information on industries and potential candidates. The Company also makes use of public information databases.

Research is an integral part of the process of developing, conducting and completing executive searches efficiently. For each assignment the Company's research staff, in conjunction with the partners in charge of the assignment, prepare a research strategy that includes a review of the Company's confidential information base as well as industry and organization analysis. Once the specifications of the executive search assignment are set, industries and organizations in which potential candidates might be located are identified. A list of potential candidates is then prepared following the identification of individuals holding key positions in those organizations. As required, organization charts for those organizations are developed and competitive information (such as data on sales, product lines or technologies) is obtained in order to ensure that the most attractive candidates are identified and that any contact with candidates takes place on a discreet basis. The information that is collected is then organized into presentation form for the client.

The Company's management believes that access to worldwide databases has become a strategic necessity for executive search professionals. The Company accesses external on-line database services to enhance its research capabilities. Similarly, the Company's presence on the Internet (through its website) serves to enlarge its market potential. To address issues of data security associated with increasing remote database access, the Company uses password protection and conducts regular security audits. In addition, the Company has video-conferencing technology in all of its offices. This technology accelerates the executive search process and facilitates candidate interviews and presentations to client search committee members in different locations. The Company intends to continue to develop these and other areas of technology as clients' needs evolve.

The Executive Search Market

With offices located across North America, the Company's clients include a broad range of international and multinational businesses, and public sector organizations. The Company's client base includes consumer and industrial product, natural resource, high technology, financial and other service, health care and transportation businesses. In providing its services, the Company typically deals with the senior management or boards of directors of its clients.

Although the Company's revenues vary with the general level of economic activity, the overall market for executive search services is less volatile than activity in any one client industry segment. Entities in various geographic locations operating in a broad range of industry sectors and in the public sector use executive search services. The level of activity in several of these sectors generally follows different cycles, thereby reducing the cyclicity in demand for executive search services for the market as a whole. However, the Company's fiscal 2009 year commenced coincident with the onset of the world-wide recession which impacted almost every sector of the economy. As the North American economies stabilized in fiscal 2010 and 2011 the Company experienced an increase in its revenues.

In the experience of the Company's management, the executive search business has traditionally been more value-sensitive than price-sensitive; it is the quality of the candidates located for executive search clients, rather than price, which is of greatest concern to the client. The long-term costs to a client of not recruiting the right person for a senior executive position can be substantial. These costs include the financial and non-financial costs associated with the period of poor performance and the financial cost of reaching a severance settlement as well as the internal upheaval of starting the recruitment process over again.

In the experience of the Company's management, an individual's progression to the senior executive level seldom occurs within a single company in the current North American corporate environment. For executives today, this often means moving in and out of several organizations during a career. Management of the Company believes that this trend will accelerate because of the prevailing level of take-over, restructuring and downsizing activities and the fact that many companies have reduced management development programs. Management also believes that middle management reductions have left many companies with limited depth in their management ranks and a critical need to recruit capable replacements externally for senior executive positions. Management believes that many companies recognize the importance of strengthening their existing executive teams to cope with increasing global competition. Faced with such challenges, more companies are using the services of an executive search firm.

Management believes that the demand for executive search services in North America will grow as a result of shifting demographics increasing the demand for senior executives drawn from a smaller talent pool than that which preceded it, as the previous generation of executives now retires. As well, smaller entrepreneurial companies will likely become users of executive search services for the first time. In the experience of the Company's management, entrepreneurial companies often need to recruit most of their management team from outside and, as these companies grow, additional executive search needs arise. To respond to this opportunity, the Company is continuing to invest in training its professionals and is developing specialized information resources and technology to serve this expanding market.

Competition

The Company's competitors in North America include regional executive search firms and major international executive search firms. Most small executive search firms are unable to compete effectively with the experience, contacts and resources of an established organization like the Company. As well, they generally lack the financial resources to make significant investments in their databases and to withstand the pressures of difficult economic times. The international executive search firms have greater financial stability and are large enough to compete effectively.

Advertising

In conducting its assignments in Canada, the Company will recommend, where appropriate, the placement of advertising in the career sections of business newspapers as well as the posting of career opportunities on both its own website and others available on the internet. The response to advertisements by interested candidates permits searches to be completed more quickly with a broader array of potential candidates. The Company regularly utilizes colour advertising, which it considers to be efficient from both a cost and an administrative perspective. Unlike most executive search firms, the Company, through its wholly-owned subsidiary, Prince Arthur, develops and places its own advertisements. Current positions are also posted on the Company's

website for even greater visibility. In the United States, neither the Company nor its competitors generally advertise client positions.

Management believes that the Company's reputation for confidentiality combined with its use of advertising leads to an increased number of responses to executive search advertisements and, in turn, to a greater universe of candidates for positions.

Business Development

Managing directors devote approximately 25% of their time to business development activities, keeping in regular contact with past and potential clients through marketing programs consisting of direct mailings, receptions, group breakfasts and confidential surveys on subjects of current interest. The Company has quite a number of repeat clients, most of whom tend to utilize the Company's services on a continuing basis as dictated by the client's internal executive recruiting requirements.

Fees and Billing

Each of the Company's assignments is managed by at least two managing directors. Each assignment is confirmed in writing with the objective of the assignment, the search strategy and plan and the agreed commercial terms all clearly stated. A typical assignment lasts from three to four months and the Company generally invoices on a monthly basis. The Company's fee for an assignment is normally billed over the first three months of the assignment as a charge for services performed and is generally not contingent on the hiring decision of the client. The fee charged for an assignment is intended to reflect the perceived difficulties of the assignment and is established based on a percentage of the first year's total anticipated cash compensation to the successful candidate or, occasionally, on a per diem or fixed fee basis.

Facilities

All of the Company's operations are conducted at leased premises. The office space consists of approximately 15,411 square feet at One Six Five Avenue Road, Toronto, Ontario; approximately 5,400 square feet at 850-1095 West Pender Street, Vancouver, British Columbia; and approximately 4,110 square feet at 520 5th Avenue S.W., Calgary, Alberta; approximately 4,129 square feet at 909 Lake Carolyn Parkway, Irving, Texas; approximately 14,062 square feet at 305 Madison Avenue, New York, New York; approximately 2,457 square feet at 16255 Ventura Boulevard, Encino, California; approximately 6,155 square feet at 1 Post Street, San Francisco, California; approximately 2,669 square feet at 262 Harbor Drive, Stamford, Connecticut; and approximately 4,159 square feet at 3424 Peachtree Road Atlanta, Georgia.

All lease agreements expire on various dates through September 30, 2021. The annual net rental under the leases for all the locations is approximately \$1.4 million in aggregate. Management considers all of its premises to be adequate to meet its current needs.

The lease for the Toronto office is with a related company owned by C. Douglas Caldwell. On August 7, 2009, the Company entered into an amended lease agreement, extending the term for a further ten years and for a reduced amount of space. The terms of this lease were determined to approximate fair market rental rates at

the inception of the lease amendment by an independent commercial real estate counselor and was approved by the independent members of the Board of Directors.

Risk Factors

Any investment in the Company's securities is speculative and may involve a high degree of risk. Before investing in the Company's securities, prospective investors should carefully consider, in light of their own financial circumstances and objectives, the risk factors summarized below, as well as the other information contained and incorporated by reference this Annual Information Form.

Reliance on Key Professionals

The Company's success depends to a large extent on a number of its key professionals. While the Company believes it offers one of the most competitive compensation plans in the industry to its professionals, the level of future profits of the Company will continue to depend on its ability to attract and retain key professionals. There can be no assurance of the Company's ability to continue to attract and retain key professionals.

Competition

The executive search business is highly competitive. See "Competition". The level of future profits of the Company will depend on its ability to retain its established client base and attract new clients.

Controlling Shareholder

Until May 10, 2010, 4,272,811 of the Class B Voting shares of the Company were owned directly or indirectly by C. Douglas Caldwell through C. Douglas Caldwell Holdings Inc. ("Caldwell Holdings") and accounted for 85.3% of the voting rights attached to all outstanding securities of the Company. However, on April 21, 2010, pursuant to a settlement with the Company's founder and former Executive Chairman, C. Douglas Caldwell, holders of both Class A Non-voting Shares and Class B Voting Shares voted in favour of accelerating a previously approved share conversion whereby the Company's voting and non-voting shares were converted into a single class of voting shares. Voting Class B Shares received 1.149 Class A Shares for each of their Class B Shares and all Class A Shares became single-voting common shares. Following approval being received by the Toronto Stock Exchange on May 10, 2010, 3,883,450 Class B Shares were converted to 4,462,082 Class A shares. Immediately following this conversion, all Class A Shares were then reclassified as Common Shares with one vote per share. See "Voting Securities and Principal Holders" below for further details.

Recent Financial Performance

The start of the fiscal 2009 year was coincident with the onset of a severe market recession through which the Company fared well compared to many of its competitors, experiencing a 6% decline in revenue to \$12,706,000. Mid-fiscal 2009, the Company began to expand aggressively into the United States, doubling its existing number of partners and offices across North America. These operations contributed approximately 10% of total operating revenues in fiscal 2009 as most of the partners joined the Company in the second half and final few weeks of the year. In 2010, expansion into the United States continued, with US operations

contributing 55% of annual consolidated revenues and resulting in a 112% increase in 2010 revenues to \$26,904,000.

In fiscal 2011, US operations expanded further, with US revenues representing 63% of the Company's \$34,238,000 total revenues. As a result of increases in both Canadian and US revenues, consolidated revenues increased 27% over fiscal 2010 levels. Over the past two years, consolidated revenues have increased more than two and one half times the 2009 level.

In 2009, execution of the Company's new strategic plan resulted in aggressive expansion into the United States of America with additional Canadian partner hires, doubling the number of partners and offices in North America. This investment to build a solid platform for sustainable and profitable growth resulted in significant cost increases in 2009. Each new partner hire has a proven track record of success in the executive search industry and their contributions to revenue became increasingly evident in 2010, with annual revenues increasing 112% with a substantial decrease in the operating loss experienced in the prior year. This trend of revenue growth and improved profitability continued in 2011, with revenues increasing 27% and the Company generating a small annual operating profit for the first time in four years, with four of its last five quarters being profitable.

In 2009, general and administrative expenses increased as the result of opening new offices and the addition of partners. As well, restructuring charges of \$544,000 were accrued relating to the closure of the Company's Montreal office, as Management determined that a strategic alliance provides a more effective means with which to service the Quebec market.

However, these fiscal 2009 cost increases were more than offset by a number of factors, resulting in an annual decline of 10% in total general and administrative expenses. Legal expenses for the year decreased from \$1.4 million in fiscal 2008 (including an accrual for \$500,000 in legal settlement costs) to \$44,000 in fiscal 2009. With the settlement of the shareholder litigation in November 2008, legal fees were substantially lower in fiscal 2009. As well, the Company received reimbursement of \$487,000 in legal costs from its insurer which further reduced these expenses. Given the Company's fiscal 2009 financial results, no accruals were made for management bonuses in 2009 where such expenses were incurred in fiscal 2008.

Given revenue declines caused by the severe market recession in fiscal 2009 and the Company's continued investment in building a platform for future growth, the operating loss in fiscal 2009 was \$4,734,000 as compared to an operating loss of \$1,531,000 in 2008. The Company also realized capital losses on its investment portfolio of \$1.9 million and took a provision for unrealized capital losses of \$929,000 in fiscal 2009. Netted against interest and dividend income, the Company reported an investment loss of \$2.6 million in fiscal 2009 as compared to investment income of \$301,000 in fiscal 2008.

Given all of the factors noted above the fiscal 2009 net loss after tax (including investment losses of \$2.6 million) was \$7,570,000 as compared to a net loss of \$747,000 in fiscal 2008.

In fiscal 2010, total costs increased from \$17.4 million to \$27.5 million largely driven by direct costs associated with the 112% increase in revenues. As well, general and administrative expenses increased by \$796,000 to \$6,777,000 reflecting the Company's continued expansion into the United States and the addition of five new offices, of which only two had opened late in the comparable period a year earlier. As well, the Company's improving financial performance resulted in accruals for management and other bonuses in fiscal 2010 where none had been expensed in fiscal 2009. Offsetting these increases were reductions in a number of head office costs, including reduced compensation costs of the former Executive Chairman whose settlement costs are included in restructuring charges rather than compensation costs post March 23, 2010 (discussed in

further detail below). After considering investment income of \$363,000, the net loss before restructuring charges was \$252,000 in fiscal 2010, much improved from a loss of \$7.4 million in fiscal 2009.

In fiscal 2010, the Company recorded a restructuring charge of approximately \$1,001,055 related to the March 23, 2010 retirement of its founder and shareholder C. Douglas Caldwell from the position of Executive Chairman and as Director of the Company, and the related agreement to accelerate the planned conversion of the Company's non-voting Class A shares to voting common shares. This amount consisted of \$626,055 for settlement and conclusion of Mr. Caldwell's employment contract, an additional \$150,000 paid to Mr. Caldwell for legal and other costs, and \$225,000 representing the Company's legal and associated costs. This transaction represents a related party transaction and was approved by the Board of Directors.

The fiscal 2010 net loss, including restructuring charges, was \$1.3 million as compared to \$7.6 million in fiscal 2009.

In fiscal 2011, total costs increased from \$27.5 million to \$34.2 million largely driven by direct costs associated with the 27% increase in revenues. As well, general and administrative expenses increased by \$682,000 to \$7,459,000. \$328,000 of this increase is attributable to foreign exchange losses, both the result of \$166,000 realized losses on assets denominated in US dollars and unrealized losses of \$162,000 on consolidation of the US operations. The remaining \$354,000 increase is largely attributed to the cost of opening a new office in Atlanta, expansion of two other existing offices, and compensation costs associated with additional staff hired during the year.

Before considering investment income, the Company generated a small operating profit of \$82,000 in fiscal 2011. Including investment income of \$246,000, net income before tax was \$328,000 as compared to a loss before restructuring charges of \$252,000 in fiscal 2010. After tax earnings in 2011 were \$159,000 as compared to a loss after tax and after restructuring costs of \$1.3 million in 2010.

Market for Securities

The Company's outstanding Common Shares are listed on the Toronto Stock Exchange ("CWL").

Trade Period	Price Range		Volume
	High (\$Cdn)	Low (\$Cdn)	
August 2011	\$0.65	\$0.52	52,800
July 2011	\$0.65	\$0.59	39,000
June 2011	\$0.59	\$0.59	653,500
May 2011	\$0.60	\$0.58	85,400
April 2011	\$0.65	\$0.55	23,700
March 2011	\$0.65	\$0.58	27,800
February 2011	\$0.69	\$0.61	56,700
January 2011	\$0.69	\$0.53	365,100
December 2010	\$0.61	\$0.53	164,400
November 2010	\$0.65	\$0.50	338,500
October 2010	\$0.64	\$0.49	82,800
September 2010	\$0.52	\$0.49	39,900

Directors and Officers

The names, municipalities of residence, positions with the Company and principal occupations of the directors and executive officers of the Company are as follows:

Name and Municipality of Residence	Office	Principal Occupation	# Common Shares Owned	Director Since
RICHARD D. INNES Toronto, Ontario, Canada	Director	Consultant & Corporate Director	20,000	2009
G. EDMUND KING Toronto, Ontario, Canada	Chair of the Board	Corporate Director	40,000	2003
DAVID A. LEWIS Town of Mono, Ontario, Canada	Director	Corporate Director	16,000	1989
KAREN E. RICHARDS Mississauga, Ontario, Canada	Chief Financial Officer and Secretary	Chief Financial Officer and Secretary, The Caldwell Partners International Inc.	14,000	n/a
JOHN N. WALLACE Unionville, Ontario, Canada	Director and President and Chief Executive Officer	President and Chief Executive Officer, The Caldwell Partners International Inc.	230,000	2009
KATHRYN A. WELSH Thornhill, Ontario Canada	Director	Consultant & Corporate Director	20,000	2009

Each director holds office until the next annual meeting of shareholders or until his successor is elected or appointed, whichever is sooner, unless his office is earlier vacated. The directors and executive officers of the Company, as a group, beneficially own directly or indirectly, or exercise control over 340,000 Common Shares, representing just over 2% of the outstanding Common Shares.

Composition of the Audit Committee:

The Company's Audit Committee is composed of four directors (Kathryn A. Welsh - Chair, Richard D. Innes, G. Edmund King, and David A. Lewis,), none of whom is or was an employee or officer of the Company or any of its affiliates or subsidiaries.

Composition of the Corporate Governance/Compensation/Nominating Committee:

The Company's Corporate Governance/Compensation/Nominating Committee is composed of four directors (David A. Lewis - Chair, Richard D. Innes, G. Edmund King, and Kathryn A. Welsh), none of whom is or was an employee or officer of the Company or any of its affiliates or subsidiaries.

Composition of the Investment Committee:

The Company's Investment Committee is composed of five directors (G. Edmund King - Chair, Richards D. Innes, David A. Lewis, John N. Wallace, and Kathryn A. Welsh). Other than Mr. Wallace who is an employee and officer of the Company, none of the remaining committee members is or was an employee or officer of the Company or any of its affiliates or subsidiaries.

Description of Capital Structure

Until May 10, 2010, the authorized share capital of the Corporation consists of an unlimited number of Class A Non-Voting Shares ("Class A Shares") and an unlimited number of Class B Voting Shares ("Class B Shares"). As at August 31, 2009, there were outstanding 12,523,423 Class A Shares and 3,883,450 Class B Shares.

On April 21, 2010, pursuant to a settlement with the Company's founder and former Executive Chairman, C. Douglas Caldwell, holders of both Class A Non-voting Shares and Class B Voting Shares voted in favour of accelerating a previously approved share conversion whereby the Company's voting and non-voting shares were converted into a single class of voting shares. Voting Class B Shares received 1.149 Class A Shares for each of their Class B Shares and all Class A Shares became single-voting common shares. Following approval being received by the Toronto Stock Exchange on May 10, 2010, 3,883,450 Class B Shares were converted to 4,462,082 Class A shares. Immediately following this conversion, all Class A Shares were then reclassified as Common Shares with one vote per share.

As at August 31, 2011, the authorized share capital of the Company consists of an unlimited number of Common Shares of which 16,985,505 are issued and outstanding. The holders of Common Shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

Dividends

Cash dividends declared pertaining to performance over the three most recently completed financial years are as follows: 2011 - \$0.00 per share; 2010 - \$0.00 per share; 2009 - \$0.00 per share. In light of the Company's recent performance and its inability to pay a dividend based on its deficit position, the Company has suspended dividend payments.

Interest of Management and Others in Material Transactions

Except as set forth below, none of the Company's directors, executive officers or principal shareholders, nor any of their respective associates or affiliates, had a direct or indirect material interest in any transaction or proposed transaction within the three most recently completed financial years or during the current financial year which has materially affected or will materially affect the Company:

The Company paid rent at the exchange amount to affiliated companies owned by a shareholder (C. Douglas Caldwell, until March 23, 2010, the Executive Chairman of the Company) in the amount of \$200,343 (2010 - \$234,504), net of recoveries from other related parties also controlled by the same shareholder, pursuant to the Company's lease commitments. The exchange amount is the amount of consideration agreed to by the parties

of the transaction and was determined to be fair market rental rates at the inception of the lease by two commercial leasing agents.

On August 7, 2009, the Company entered into an amended lease agreement, extending the term for a further ten years and for a reduced amount of space. The terms of this lease were determined to approximate fair market rental rates at the inception of the lease amendment by an independent commercial real estate counselor and was approved by the independent members of the Board of Directors.

Transfer Agent and Registrar

Valiant Trust Company, at its office in Toronto, Ontario, is the transfer agent and registrar for the Common Shares.

Material Contracts

There are no contracts, other than contracts entered into in the ordinary course of the business or entered into prior to January 1, 2002, that are material to the Company and that were entered into within the most recently completed financial year.

Additional Information

Additional information relating to the Company may be found on the System for Electronic Document Analysis and Retrieval (SEDAR) internet website at www.sedar.com. Additional financial information is provided in the audited consolidated financial statements and management's discussion and analysis for the fiscal year ended August 31, 2011. A copy of such documents may be obtained upon request from the Secretary of the Company.