INTERTAPE POLYMER GROUP INC
Form 40-F
March 31, 2008

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, 2007**

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, 2007 is:

58,966,348 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, 2007 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.

Management s Annual Report on 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 those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the Company s consolidated financial statements.

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.

Management conducted an assessment of the effectiveness of the Company s internal control over financial reporting as at December 31, 2007 based on the criteria etablished in *Internal Control Integrated Framework* issued by the

Committee of Sponsoring Organizations of the Treadway Commission. Management has concluded that the Company s internal control over financial reporting was effective as at December 31, 2007 based on those criteria.

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The effectiveness of the Company s internal control over financial reporting as at December 31, 2007 has been audited by Raymond Chabot Grant Thornton LLP, the Company s independent auditors.

Independent Auditors Report on Internal Control over Financial Reporting. The independent auditors report on internal control over financial reporting is included in the Independent Auditors Report on Internal Control Over Financial Reporting that accompanies the Company s Audited Annual Consolidated Financial Statements for the fiscal year ended December 31, 2007, filed as a part of this Annual Report on Form 40-F.

Changes in Internal Control Over Financial Reporting. There have been no changes in Intertape Polymer Group Inc. s internal controls over financial reporting that occurred during 2007 that has materially affected, or is reasonably likely to materially affect, Intertape Polymer Group Inc. s internal control over financial reporting.

Blackout Period Notices

During 2007, 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. George J. Bunze, having been the Chief Financial Officer of Kruger Inc., 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. Bunze 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. Bunze 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. Bunze 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

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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 2007 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 accountant, for the fiscal years ended December 31, 2007 and December 31, 2006, 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, 2007 and 2006, the Company had $2.1 million and $2.5 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 received, on a quarterly basis, a variable interest rate and paid a fixed interest rate of 4.27% and 4.29%, respectively, plus the premium of 4.00% (4.25% from August 8, 2007 through September 30, 2007, 2.75% from November 8, 2006 through August 7, 2006, and 2.25% prior to November 8, 2006 and in 2005) applicable on its term loan. The increase in the premium rate was as a result of the November, 2006 Amendment to the Company s Credit Agreement dated as of July 28, 2004, as amended, among the Company and certain of its subsidiaries, the Lender referred to therein, Citigroup Global Markets Inc., as sole Lead Arranger and Sole Bookrunner, Citicorp North American, Inc., an Administrative Agent, the Toronto-Dominion Bank, as Syndication Agent, and Comerica Bank and HSBC Bank USA, National Association, as Co-Documentation

Agents. As of December 31, 2007, the effective interest rate on $75,000,000 was 8.28%, (7.03% in 2006), and the effective interest rate on the excess was 9.16% (8.04% in 2006).

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Intertape Polymer Group Inc., and certain of its subsidiaries refinanced its Senior Secured Credit Facility entering into a Loan and Security Agreement dated March 28, 2008 with certain financial institutions, as Lenders, Bank of America, N.A., as Agent, and Banc of America Securities LLC, as Sole Lead Arranger and Book Manager. The initial funding under the new Senior Secured Credit Facility occurred on March 28, 2008. The Company s new Senior Secured Credit Facility is an asset-based revolving loan not to exceed $200,000,000.00 with interest thereon at the Canadian or U.S. prime rate announced by Bank of America from time to time, or at LIBOR, respectively, plus applicable margins, which are fixed at 1.75% through September 2008. At closing Intertape Polymer Group had approximately $30 million of unused availability under the loan. A complete description of the new Senior Secured Credit Facility is set forth in Section 3.2 of the Annual Information Form attached hereto as Exhibit 1. In connection with the new Senior Secured Credit Facility, the interest rate swap agreements were terminated. Intertape Polymer Group Inc. will not seek to enter into new interest rate swap agreements at this time but will continue to monitor the interest rate environment and may choose to enter into new interest rate swap agreements in the future as a means of hedging the interest rate risk on its floating rate debt.

Tabular Disclosure of Contractual Obligations

The information required by Paragraph (12) of General Instruction B to Form 40-F is located on Page 20 of Management s Discussion and Analysis for 2007 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 three of the six directors of Intertape Polymer Group Inc.: George J. Bunze, Allan Cohen, Ph.D., and Torsten A. Schermer. 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 to the securities in relation to which the obligation to file an annual report on Form 40-F arises.

[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/ Victor DiTommaso

(Signature)

Name:

Victor DiTommaso, CPA

Title:

Chief Financial Officer

Date: March 28, 2008

EXHIBIT INDEX

EXHIBIT 1

Item 1.

INTERTAPE POLYMER GROUP INC.

ANNUAL INFORMATION FORM

For the Year ended December 31, 2007

Dated: March 28, 2008

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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 1250 René-Lévesque Blvd. West, Suite 2500, Montreal, Quebec, Canada H3B 4Y1, c/o Heenan Blaikie LLP.

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Intercorporate Relationships

Intertape Polymer Group is a holding company which owns various operating companies in the United States and Canada. ECP L.P., an Ontario partnership, is one of the two principal operating companies for the Company s Engineered Coated Products Division in Canada. Intertape Polymer Inc., incorporated under the *Canada Business Corporations Act*, is the principal operating company for the Company s Tape and Films Division in Canada and one of the two principal operating companies for the Company s Engineered Coated Products Division in Canada. 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, 2007, have been omitted.

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%
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%

* Dormant

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.

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.

2004-2005

Beginning in 2004, the Company, along with the industry, 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.

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

On June 14, 2006, Mr. Melbourne F. Yull, the Company s founder, Chairman and CEO retired. Following Mr. Yull s retirement, Mr. Michael Richards was elected as the non-executive Chairman of the Board and the Board of Director s appointed Mr. Dale McSween as Interim CEO until such time as a successor to Mr. Yull was appointed.

During 2006, the Company 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 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.

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

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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. 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.

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

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. 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.

<u>2007</u>

As a result of the strategic review process commenced in 2006, the Board of Directors considered all available options and on May 2, 2007 announced that the Company had entered into an agreement for an indirect wholly-owned subsidiary of Littlejohn Fund III, L.P. to acquire all of Intertape Polymer Group s outstanding common shares at a price of US$4.76 per share in

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cash (the Arrangement). Including net debt outstanding, the total transaction value was approximately US$500 million.

A Dissident Proxy Circular dated June 18, 2007 was filed by 6789536 Canada Inc. and at the annual and special meeting of shareholders, the Arrangement was rejected by the shareholders of the Company by a vote of almost seventy percent. In addition, the shareholders elected a new Board of Directors, which included the Company s founder, Melbourne F. Yull, and a former director of the Company, Eric Baker, who was named Chairman. Mr. Yull was named Executive Director.

On August 8, 2007, the Company successfully amended its Senior Secured Credit Facility to accommodate the costs of the strategic alternatives process in the calculation of its financial covenants. The amendment reduced the maximum amount the Company could borrow under the Revolving Credit Facility from $75.0 million to $60.0 million and increased the loan margin under the entire Senior Secured Credit Facility, both the Term Loan B and the Revolving Credit Facility by 150 basis points to a range of 325 to 425 basis points determined by a pricing grid. Additionally, the Company paid an amendment fee to its lenders of approximately $2.3 million to be amortized over the remaining term of the related credit facilities.

In furtherance of the new Board s plan to strengthen the financial position of Intertape Polymer Group, the Company made a rights offering to its shareholders. Each shareholder of record at the close of business on August 23, 2007 was entitled to one right for every common share then held. 1.6 rights entitled the holder to purchase one common share of the Company at a price of CDN$3.61, or for subscribers resident in the United States, US$3.44. In connection with the rights offering, Intertape Polymer Group also entered into Standby Purchase Agreements with three of its principal shareholders and four of its senior officers and one former officer, pursuant to which each agreed to exercise all of their rights and to purchase certain of the shares that were not otherwise subscribed for in the rights offering. The Company raised total proceeds of approximately US$62.9 million in its rights offering and issued 17,969,388 common shares. Intertape used the net proceeds of $60.9 million to reduce its Term Loan B bank debt.

On March 27, 2008 the Company successfully refinanced its existing Senior Secured Credit Facility (the Facility) with a $200.0 million Asset-Based Loan (ABL) entered into with a syndicate of financial institutions. The amount of borrowings available to the Company under the ABL is determined by its applicable borrowing base from time to time. The borrowing base is determined by calculating a percentage of eligible trade accounts receivable, inventories and machinery and equipment. At closing, after repaying the remaining balance of the Facility, the Company had cash and undrawn revolver of approximately $39.0 million. The ABL is priced at libor plus a loan margin determined from a pricing grid. The loan margin declines as unused availability increases. The pricing grid ranges from 1.50% to 2.25%. However, through September 2008, the applicable loan margin is fixed at 1.75%. Unlike the Facility, the ABL contains only one financial covenant, a fixed charge coverage ratio, which becomes effective only when unused availability drops below $25.0 million. Under the refinancing agreement, the Company has 120 days from closing to secure financing on all or a portion of its owned real estate. After that time, the remaining unencumbered real estate is subject to a negative pledge in

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favour of the ABL lenders. However, beyond the 120 days the Company retains the ability to secure financing on all or a portion of its owned real estate and have the negative pledge of the ABL lenders subordinated to up to $35.0 million of real estate mortgage financing. During the 120 day window in which the real estate is unencumbered, the Company is not subject to the fixed charge coverage ratio but also is prevented from accessing the last $15.0 million of unused availability under its borrowing base. The Company expects to report a refinancing expense in the first quarter of 2008 for approximately $3.4 million comprised of the accelerated amortization of the debt issue expenses on the existing debt. The Company also settled two interest rate swaps that the Company entered into in June and July 2005 hedging interest rates for its existing debt. Among the advantages the Company expects from refinancing are lower interest costs and fewer financial covenants with which it must comply. The Company estimates that the lower loan margin on the ABL compared to the existing Senior Secured Credit Facility will reduce the Company s interest expense by approximately $2.5 million annually.

The net loss for 2007 was $8.4 million compared to a net loss for 2006 of $166.7 million. The net loss for 2007 includes $8.1 million of manufacturing facility closures, restructuring, strategic alternatives and other charges, compared to similar charges in 2006 of $76.1 million. The manufacturing facility closures, restructuring, strategic alternatives and other charges totalling $8.1 million including approximately $1.3 million in severance costs associated with the cost reduction initiatives announced by the Company in 2006 and $6.8 million in costs supporting the strategic alternatives process.

3.2

Credit/Debt Information

Indebtedness

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 $2.9 million and its revolving credit facility by $15.6 million.

During 2007, the Company reduced its long term debt by $76.5 million. The payments in 2007 included a $60.9 million reduction as a result of the application of the net proceeds of the shareholder rights offering and a $15.6 million principal payment from 2006 excess cash flow as required under the Senior Secured Credit Facility. As of December 31, 2007, the Company had no outstanding draws under its Revolving Credit Facility.

Credit Agreements and Notes

On July 28, 2004, the Company entered into a 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. Further, on July 28, 2004, the Company completed an offering of US$125.0 million 8-½% Senior Subordinated Notes due 2014.

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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, limited 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 was required to maintain certain financial ratios, including a maximum total leverage ratio, a minimum interest coverage ratio and a minimum fixed charge ratio.

During 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.

In August, 2007, the Company amended its credit facilities to permit the add back of certain one-time charges incurred in connection with the proposed acquisition of all of the common shares of the Company by an indirectly wholly-owned subsidiary of Littlejohn Fund III, L.P., the strategic alternatives process. The amendment also reduced the maximum amount the Company could borrow under the Revolving Credit Facility from $75 million to $60 million and increased the loan premium for both the Term B Loan and the Revolving Credit Facility by 150 basis points.

Intertape Polymer Group Inc. and certain of its subsidiaries refinanced its Senior Secured Credit Facility on March 28, 2008. The Company s new Senior Secured Credit Facility is an asset-based revolving loan not to exceed $200,000,000.00. 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 U.S. and Canadian subsidiaries. The proceeds from the refinancing were used to repay the Company s existing bank credit facility, pay related make-whole premiums, accrued interest and transaction fees and provide cash for general working capital purposes. The Company s outstanding Senior Subordinated Notes remain outstanding.

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

3.3

Significant Acquisitions

While the Company made no acquisitions in 2007, historically acquisitions have played a significant role in the Company s strategy for growth and entry into new product markets.

The Company s most recent 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 Industries, Inc. These companies produce a wide range of engineered coated and laminated

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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.

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.

The Company has two operating segments that are reportable segments as those terms are used in the Canadian Institute of Chartered Accountants Handbook, Tapes and Films and Engineered Coated Products.

4.2

Products, Markets and Distribution

4.2.1

Tapes and Films Division

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 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, 2007, and December 31, 2006, tapes and films accounted for 79% and 77%, 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 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.

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

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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 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

<u>*Air Pillows*</u>

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.

4.2.2

Engineered Coated Products Division

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 engineered coated products are categorized in six markets: (A) Building and Construction, (B) Agro-Environmental, (C) Consumer Packaging, (D) Specialty Fabrics, (E) Industrial Packaging, and (F) FIBCs. For the years ended December 31, 2007 and December 31, 2006, engineered coated products accounted for 21% and 23%, respectively, of the Company s sales.

A.

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. Primary competitors of the Company for this product range include Interwrap, Inc., Fabrene Inc., Mai Weave LLC and, at the low end of the product range, producers from China and Korea.

B.

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.

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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™ coatings. 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 liners, 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.

C.

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.

D.

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.

E.

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

F.

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

4.3.1