



*RENEWAL ANNUAL INFORMATION FORM*

*2006*

March 1, 2007

## TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS.....	3
ORGANIZATIONAL STRUCTURE .....	4
GENERAL DEVELOPMENT OF THE BUSINESS .....	4
STRATEGIC ACQUISITIONS & DISPOSITIONS .....	6
TRENDS .....	7
NARRATIVE DESCRIPTION OF THE BUSINESS.....	7
EQUIPMENT .....	4
LICENCES.....	8
MARKETS AND DISTRIBUTION .....	8
REVENUES .....	8
COMPETITION .....	9
HUMAN RESOURCES.....	9
ENVIRONMENTAL MATTERS.....	9
TRADEMARKS .....	10
RISK FACTORS .....	10
RISKS RELATED TO THE BUSINESS OF TRANSFORCE.....	10
RISKS RELATED TO THE STRUCTURE OF THE FUND.....	14
DISTRIBUTIONS .....	18
DESCRIPTION OF CAPITAL STRUCTURE .....	20
TRUST UNITS.....	20
REDEMPTION AT THE OPTION OF UNITHOLDERS .....	20
MARKET FOR SECURITIES .....	22
TRUSTEES AND OFFICERS .....	22
AUDIT COMMITTEE.....	26
TRANSFER AGENTS AND REGISTRARS .....	27
MATERIAL CONTRACTS.....	27
NAME AND INTERESTS OF EXPERTS .....	27
ADDITIONAL INFORMATION .....	28

## FORWARD-LOOKING STATEMENTS

The Fund may make statements in this annual information form that reflect its current expectations regarding future results of operations, performance and achievements. These are "forward-looking" statements and reflect management's current beliefs. They are based on information currently available to management. Words such as "may", "could", "should", "would", "believe", "expect", "anticipate" and words and expressions of similar import are intended to identify these forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and those presently anticipated or projected.

The Fund wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. The following important factors could cause the Fund's actual financial performance to differ materially from that expressed in any forward-looking statement:

- (1) The highly competitive conditions that currently exist in the Fund's market and the Fund's ability to compete
- (2) The Fund's ability to recruit, train and retain qualified drivers
- (3) Increases in fuel prices, and the Fund's ability to recover these costs from its customers
- (4) Foreign currency fluctuations
- (5) The impact of environmental standards and regulations
- (6) Changes in governmental regulations applicable to the Fund's operations
- (7) Adverse weather conditions
- (8) Accidents
- (9) The market for used revenue equipment
- (10) Changes in interest rates
- (11) Cost of liability insurance coverage
- (12) Downturns in general economic conditions affecting the Fund and its customers

The foregoing list should not be construed as exhaustive, and the Fund disclaims any obligation subsequently to revise or update any previously made forward-looking statements. Unanticipated events are likely to occur. Readers should also refer to the section **Risk Factors** in this Annual Information Form for additional information on risk factors and other events that are not within the Fund's control. The Fund's future financial and operating results may fluctuate as a result of these and other risk factors.

## ORGANIZATIONAL STRUCTURE

In this renewal annual information form, the term “TransForce” or “Fund” means TransForce Income Fund and its subsidiaries.

The Fund results from the conversion on September 30, 2002 of a corporate entity, TransForce Inc. (“TFI”) into an income trust. The Fund is an unincorporated open-ended limited purpose trust established pursuant to a declaration of trust dated July 30, 2002 under the laws of the Province of Quebec. The Fund qualifies as a unit trust and mutual fund trust within the meaning of the *Income Tax Act* (Canada) (the “Income Tax Act”) and is therefore not subject to taxation on its income distributable to unitholders since September 30, 2002.

TFI was incorporated on April 30, 1985 pursuant to the *Companies Act* (Quebec) under the name 2320-2351 Quebec Inc. Its Articles were amended on October 9, 1985, October 1, 1986, July 22, 1987, October 19, 1987, March 4, 1988, July 5, 1989 and May 30, 1995, in each case changing its share capital. The Articles were also amended on October 1, 1986 to change the corporate name to Groupe Cabano d’Anjou Inc. and on August 7, 1987 to change the corporate name to Cabano Expeditex Inc. On October 19, 1987, Cabano Expeditex Inc. amalgamated with Location Speribel Inc. The Articles were subsequently amended on December 4, 1990 to change the corporate name to Groupe Transport Cabano Inc./Cabano Transportation Group Inc., on May 30, 1995 to change the corporate name to Cabano-Kingsway Inc. and on April 23, 1999 to change the corporate name to TransForce Inc.

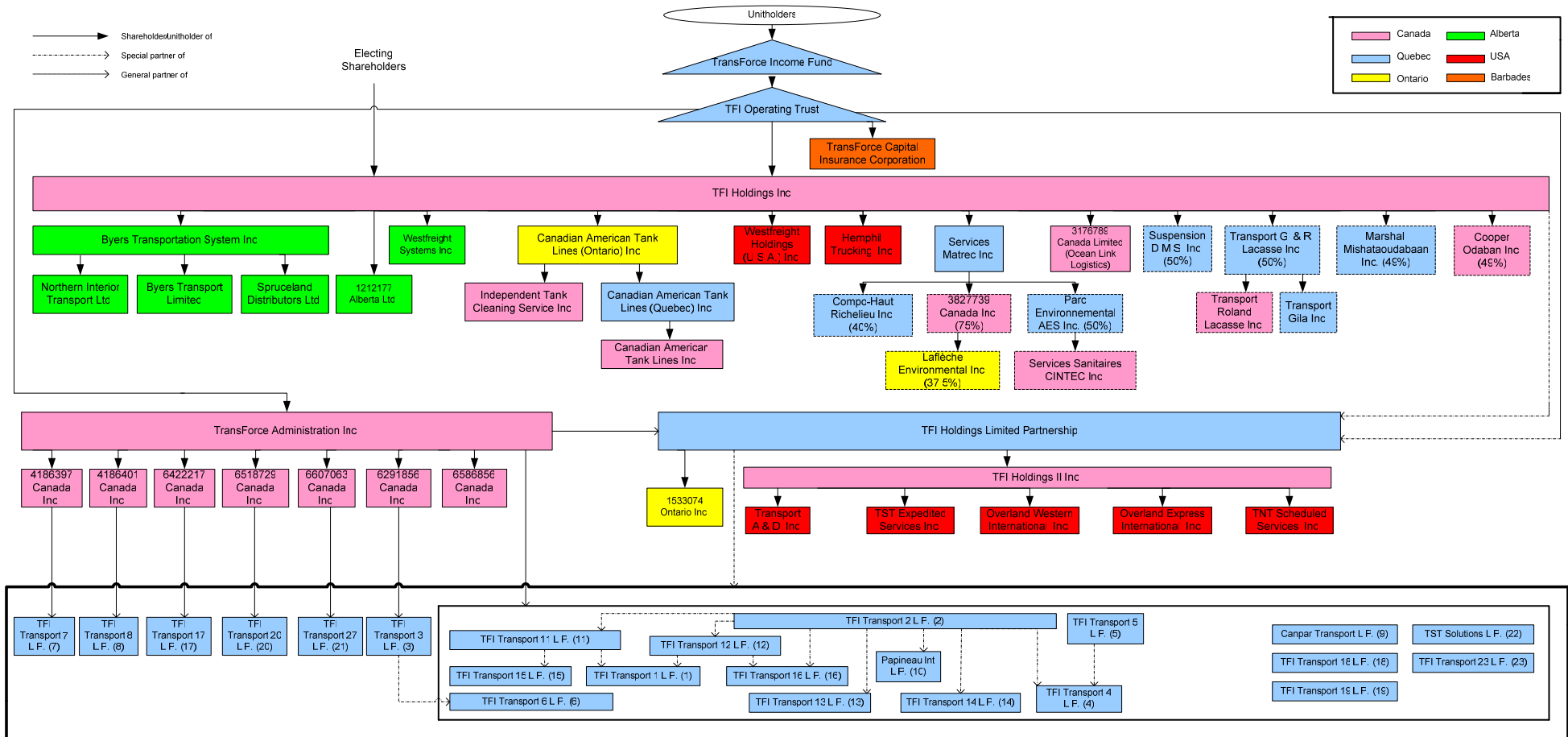
On September 30, 2002, TFI completed its conversion into an income trust, which makes monthly distributions of its available cash to the holders of its units. On the same date, the Fund completed its initial public offering of 12 million trust units at a price of \$8.50 per unit, for gross proceeds to the Fund of \$102 million. The Fund, through its subsidiaries, continues to operate the transportation business of TFI, and the former shareholders of TFI continue to own, through the Fund, an economic interest in the business of TFI.

In connection with the conversion, shareholders of TFI indirectly exchanged their common shares for trust units of the Fund on the basis of one trust unit for each common share. Certain shareholders of TFI elected to indirectly exchange their common shares for “tracking share units” of TFI Holdings Inc. (“TFI Holdings”), an indirect subsidiary of the Fund, or for a combination of trust units and “tracking share units”. Each “tracking share unit” consists of one “tracking share” and one common share of TFI Holdings. One special voting unit of the Fund is issued for each issued and outstanding “tracking share unit” of TFI Holdings, entitling the holder thereof to receive notice of and vote at an annual or special meeting of unitholders of the Fund.

At the special shareholders’ meeting held on September 12, 2002 TFI’s shareholders approved the conversion of TFI into an income trust. At the closing of the initial public offering on September 30, 2002, the trust units of the Fund commenced trading on the Toronto Stock Exchange under the symbol TIF.UN and the common shares of TFI were delisted from the Toronto Stock Exchange.

The head office of the Fund is located at 8585, Trans-Canada Highway, Suite 300, Saint-Laurent (Québec) H4S 1Z6.

The chart set out on the following page details the organizational structure of the Fund. Unless otherwise indicated, each of the entities identified on the chart has been incorporated or constituted pursuant to the laws of the Province of Quebec. Unless otherwise indicated, each of the entities is wholly owned.



- (1) Carrying the businesses of J.C. Germain (including Labonté, D.P.M., Serge Lemay & Bégin) and InterForce International (including Elsa & Shermont)
- (2) Carrying the businesses of TransForce Properties/Immeubles TransForce, Locations TransForce, Gestion TransForce, Trans4 Logistics (including Gateway), CK Logistics, Transpar and Transtern
- (3) Carrying the business of Highland
- (4) Carrying the businesses of Kingsway bulk division vrac (including Retex, Forestville, Lebon & April)
- (5) Carrying the businesses of Kingsway, McGill Air, SélectDaily and Maroport
- (6) Carrying the businesses of Besner (Central & Atlantic), Montkar, Fortier (including Coachman), Boostway, Transport Lapalme, Transport Alain Landry
- (7) Carrying the businesses of Canadian Freightways (including CF Parcel Express), Tractive Express, UTL Transportation Services West and Rebel
- (8) Carrying on the businesses of Evergreen Logistics, Epic Express, Blackfoot Logistics, Stream Inventory Logistics, Click Express, UTL Transportation Services East and Universal Contract Logistics (including Panorama Mainland)
- (9) Carrying on the businesses of Canpar
- (10) Carrying the businesses of Location Mirabe, Miralc, Papineau International, Lacaille International, Lyon International and A&M International
- (11) Carrying the businesses of Ganeca (including CJLM) and St-Lambert (previously known as Transless International Villeroy)
- (12) Carrying the businesses of Transpel and P&W Intermodal

- (13) Carrying the business of Mondor
- (14) Carrying the businesses of Nordique and ManutEx
- (15) Carrying the businesses of Gregoire (including S.A.S. International)
- (16) Carrying the businesses of Lia International (including Transborc (including Trans-Rive & Audet), Golden International and Golden Specialized Transport (previously known as Transless International Bois-des-Filion)
- (17) Carrying the businesses of TST Porter (including Alverr)
- (18) Carrying the business of Malex (including La Lievre & Condor)
- (19) Carrying the business of Durocher International
- (20) Carrying the businesses of Kos Oilfield Transportation and Streeper Contracting
- (21) Carrying the business of Howards Transport
- (22) Carrying the businesses of TST Overland Express, TST Expedited Services (including TST Air), TST Load Brokerage Services, TST Truckload Express and TST Automotive Services
- (23) Carrying the business of Maybois, Bergeron and Bergeron Logistics

## GENERAL DEVELOPMENT OF THE BUSINESS

The Fund, through its wholly owned subsidiaries, continues to operate the business of TFI. TFI's transportation business origins can be traced back to 1957. In the mid-1990s, after nearly 40 years of operations, TFI updated its corporate strategy for the evolving North American transportation market. To this end, in 1996 a new management team led by Mr. Alain Bédard, the Chairman of the Board, President and Chief Executive Officer of TFI, was put in place by TFI's principal shareholders.

The new management team identified three key objectives essential for TFI: (i) increase revenues from profitable business segments and customers; (ii) strengthen TFI's position in the North American transportation market; and (iii) achieve a more balanced revenue mix. To achieve these three objectives, the management team implemented a strategic plan aimed at expanding TFI's operations beyond its traditional Less Than Truckload ("LTL") base as well as increasing TFI's geographic footprint, primarily by entering the transborder market. TFI has carried out its strategic plan, in large part by acquiring profitable and well-managed companies offering services throughout North America in segments of the transportation industry not traditionally served by TFI, such as Truckload ("TL"), Specialized TL, and Specialized Services and Waste Management, which includes logistics and fleet management, customs brokerage and bonded warehousing and international freight forwarding. TransForce's independent subsidiaries are recognized for their professional expertise. The Fund will continue to carry out this strategy.

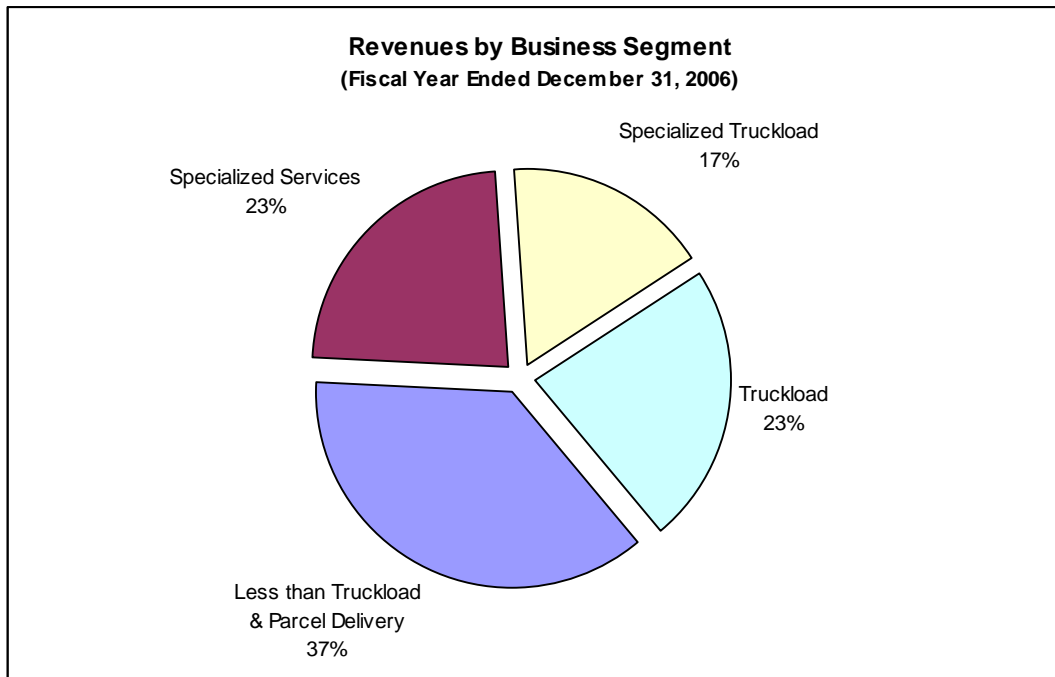
As part of the strategic plan, in March 1998, TFI entered the transborder TL business with the acquisition of Entreprises de Transport J.C.G. Inc., which was complemented by the acquisition of Papineau International Transport Inc. in October 1998. The major acquisition of TST Solutions Inc. and its subsidiaries in March 2000 allowed TFI to significantly increase its share of the transborder LTL market and also provided an entry into the Specialized TL market. A second major acquisition, that of Canpar Transport Ltd. in July 2002, enabled TFI to achieve its goal of becoming a full service transportation provider, by adding Parcel Delivery to its LTL service offering. In 2004, TransForce proceeded to two other major acquisitions: in January 2004, TransForce completed the acquisition of substantially all of the assets of Canadian Freightways Limited, which offers services of both LTL and TL in Canada and the United States and also offers Specialized Services in the areas of logistics and fleet management, customs brokerage and bonded warehousing and international freight forwarding. The addition of Canadian Freightways' TL Segment improved TransForce's TL coverage across Canada, particularly in the western provinces. TransForce also increased route density and extended its LTL operations across Canada with the acquisition of Canadian Freightways and its associated companies; and in October 2004, TransForce completed the acquisition of 3846113 Canada Inc. (Highland Transport), which strengthened its presence in the TL transportation sector across Canada. In February 2005, TransForce acquired Services Matrec Inc. and its subsidiaries. Services Matrec Inc. specializes in the integrated management of industrial, commercial and residential solid waste collection and treatment including waste, recyclable materials, yard waste, construction and demolition materials, and hazardous waste. Services Matrec Inc. will be a catalyst for the expansion of TransForce's Specialized Services business segment in a new area.

Most recently, TransForce acquired Kos Corp Oilfield Transportation, Hemphill Trucking Ltd. and Streeper Contracting Ltd. These acquisitions will provide TransForce with a solid platform in the oilfield services sector. Kos, through its well-established position, will serve as the foundation for this platform and as a catalyst for future growth within the sector.

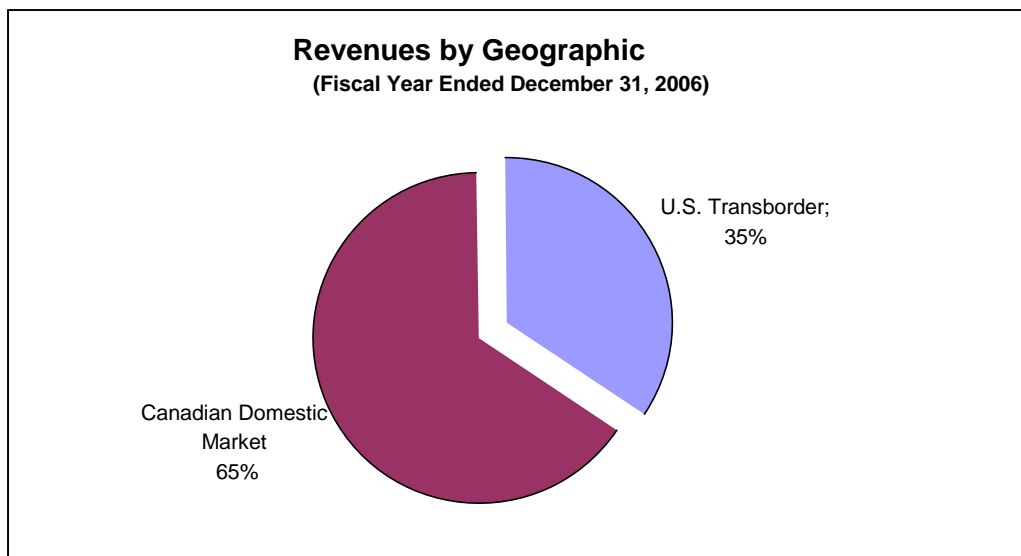
TransForce's expansion in the oilfield services industry is consistent with its diversification strategy. The sector has recently enjoyed high growth rates, strong margins and low capital expenditure requirements relative to general trucking,. The sector, with a traditionally strong first quarter, also provides the benefit of being counter-seasonal to the majority of TransForce's other divisions.

Since 1998, TransForce has acquired over 50 companies as part of its strategic plan. Among the criteria applied by TransForce to the acquisition of companies is that such companies be profitable and led by experienced and competent management teams. Once acquired by TransForce, the newly acquired companies operate as wholly owned subsidiaries under their original names and management team. The Fund continues to carry out this strategy.

As a result of the implementation of the strategic plan originated by TFI, the Fund is today a leading player in the North American transportation industry, with revenues of \$1,8 billion for the fiscal year ended December 31, 2006. The Fund has a solid financial position, approximately 55,000 customers over a broad cross-section of industries and close to 10,200 employees and 1670 owner-operators. The Fund offers its clients transportation solutions that are firmly supported by the specialization of its subsidiaries and the competence of its management and employees in their areas of expertise. Ten years after the strategic plan was implemented, the Fund now operates in four well-defined business segments: (i) LTL and Parcel Delivery; (ii) Specialized Services which includes its Waste Management divisions, its Oilfield Services divisions as well as Logistics and Dedicated Fleet divisions; (iii) Specialized TL; and (iv) TL. The following chart sets out a breakdown of the Fund's consolidated revenues by business segment for the fiscal year ended December 31, 2006:



As a result of the strategic plan, the Fund has been able to benefit from and expand its geographic market, as illustrated in the following chart, which sets out the geographic breakdown (domestic and Canada-U.S. transborder) of the Fund's consolidated revenues for the fiscal year ended December 31, 2006.



### *Strategic Acquisitions & Dispositions*

#### Acquisitions

During the fiscal year ended December 31, 2006, the Fund concluded the following important acquisitions:

Name	Date	Business Segment
Kos Corp Oilfield Transportation Ltd.	February 1, 2006	Specialized Services (Oilfield Services)
Hemphill Trucking Inc.	March 15, 2006	Specialized Services (Oilfield Services)
Streeper Contracting Ltd.	March 22, 2006	Specialized Services (Oilfield Services)
Howard's Transport Services Inc.	September 1, 2006	Specialized Services (Oilfield Services)
Byers Transportation System Inc.	October 1, 2006	LTL

The important acquisitions made by TransForce during the fiscal year ended December 31, 2006 consisted of all of the outstanding shares of Kos Corp Oilfield Transportation Ltd. on February 1, 2006, of Hemphill Trucking Inc. on March 15, 2006, of Streeper Contracting Ltd. on March 22, 2006, of Howard's Transport Services Inc. on September 1, 2006 and of all of the assets of Byers Transportation System Inc. on October 1, 2006.

The aggregate acquisition cost of acquiring the foregoing companies was approximately \$227.4 million.

Kos Corp Oilfield Transportation Ltd. is an oilfield services company in western Canada with annual revenues of approximately \$69 million.

Hemphill Trucking Inc. is an oilfield services company in western Canada with annual revenues of approximately \$24 million.

Streeper Contracting Ltd. is an oilfield services company in western Canada with annual revenues of approximately \$14 million.

Howard's Transport Services Inc. is an oilfield services company in western Canada with annual revenues of approximately \$20 million.

Byers Transportation System Inc. is a LTL carrier with annual revenues of approximately \$70 million.

All of the foregoing strategic acquisitions were arm's length transactions.

### Disposition

On September 30, 2006, the Fund completed the sale of the hazardous waste and industrial cleaning operations of its waste management subsidiary Services Matrec Inc. for net cash proceeds of \$29.5 million. The assets being sold to Newalta Income Fund generated annual revenue of approximately \$20 million. They are considered non-core by Matrec management which will remain focused on the company's larger operations in solid waste management and recycling. The capital gain generated from such sale, resulted in a special distribution in units.

All of the foregoing acquisitions were arm's length transactions. The Fund did not file a business acquisition report on Form 51-102F4 for any of the above mentioned acquisitions.

### *Trends*

Demand for freight transport is closely linked to the state of the overall economy. Consequently, a change in general economic growth could impact the Fund's performance. However, the Fund's extensive customer base, broad geographic dispersion and participation in four distinct transport segments should help to mitigate the effects of any economic downturn.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

The Fund is a leading player in the freight transportation and logistics industry. The Fund believes that, through its operating subsidiaries, it directly services more urban centres than any other carrier in Canada. The Fund offers its clients transportation solutions that are firmly supported by the specialization of its wholly owned subsidiaries and the competence of its management and employees in their areas of expertise. The Fund's scope extends to all of Canada and the United States. The Fund offers efficient, global solutions to its clientele in four well-defined operational segments: (i) LTL and Parcel Delivery; (ii) Specialized Services which includes its Waste Management divisions, its Oilfield Services divisions as well as Logistics and Dedicated Fleet divisions; (iii) Specialized TL; and (iv) TL. Through internal growth and acquisitions, the Fund has significantly increased its geographic scope.

The Fund's LTL and Parcel Delivery Segment is composed of two groups. The LTL group provides partial-load general-freight shipment to customers across North America, while the Parcel Delivery group offers non-expedited business-to-business Parcel Delivery across Canada. The Specialized Services Segment provides a wide range of logistics services including international freight forwarding, customs brokerage, fleet management and integrated management of industrial, commercial, oilfield transportation services, and residential solid waste collection and treatment. The Specialized TL Segment offers a wide variety of value-added services, including bulk material shipments, expedited deliveries, transport by open trailer and transport of explosives. The TL Segment provides full-load transport of general merchandise in North America.

### *Equipment*

As at December 31, 2006, the Fund owned or leased approximately 4,700 power units, and over 11,500 trailers, tankers and dump trailers. In addition, the Fund has access to approximately 1,670 additional trucks under contract with owner-operators.

### *Licences*

In Canada, passengers and merchandise road transport licences are issued by provincial authorities. With respect to interprovincial transport, provincial authorities are delegated the right to issue licences according to the *Canada Transportation Act*. Provincial authorities exercise control on the issuance, modification and transfer of licences and govern in a general manner various aspects of licence holders' activities. In the United States, the *Department of Transportation* exercises similar authority. The operating subsidiaries of the Fund have all the necessary licences to operate in Canada and the United States.

### *Markets and Distribution*

The Fund has a diverse customer base consisting of approximately 55,000 clients operating across a broad cross-section of industries. The Fund's major customers include Hapag-Lloyd, Kruger, EnCana, Staples and Electrolux. Due to the breadth of its client base, a downturn in the activities of individual customers or in a particular industry should not have a material adverse impact on the Fund's operations. In the last several years, the Fund concluded strategic alliances with other transport companies in North America, in order to offer its customers a network, which extends across Canada and the United States.

The activities conducted by the Fund's business are subject to general demand for freight transportation. Historically, this demand has been rather stable through the year with the exception of the winter months, in which case it slightly decreases. Consequently, the Fund's activities during its second, third and fourth quarters are usually stronger than during its first quarter. Furthermore, during the harsh winter months, fuel consumption and maintenance costs tend to rise.

### *Revenues* (in percentages)

During the fiscal years ended December 31, 2006 and December 31, 2005, the Fund's revenues by business segment generated by sales outside the consolidated entity of the Fund, were as follows:

	52 weeks ended December 31, 2006	52 weeks ended December 31, 2005
LTL and Parcel Delivery .....	37%	43%
Specialized Services and Waste Management .....	23%	16%
Specialized TL .....	17%	16%
TL .....	23%	25%

## *Competition*

The transportation industry is fragmented and consists of relatively few large companies and many small companies serving target markets. The target markets are defined by geographical location, point-to-point service location, target customer industries and the type of service provided, such as LTL and Parcel Delivery, TL or Specialized TL Services. The smaller operators typically operate in a highly specialized yet competitive environment in which the customer may have several alternative carriers available. Many of the large carriers are independent subsidiaries of larger transportation companies and offer a wide variety of freight services on a national basis.

Carriers compete primarily on price and on their ability to provide reliable, efficient and safe transportation services. The Fund's main competitors in the LTL sector are Day & Ross Inc. and Manitoulin Transport Inc., in the parcel sector is Purolator Courier Ltd., in the TL sector are Challenger Motorfreight Inc. and SGT 2000 Inc., in the Specialized TL is Contrans Income Fund, in the Oilfield sector are Mullen Income Fund and Flint Energy Services Ltd. and in the waste management sector are BFI Canada Income Fund and RCI Environment Inc.

In addition, the Fund and other trucking operations must compete with other modes of transportation such as rail, airfreight and maritime transportation. These modes of transportation play an important role in the areas served by the Fund.

## *Human Resources*

Through its subsidiaries, the Fund has approximately 10,200 employees, a majority of whom are subject to a number of collective agreements and 1,670 owner-operators who are mostly non-unionised. The Fund considers that it has a very low turnover rate among the employees in its group, compared to industry standards, and that employee relations are good. The Fund ensures that a number of programs for driver training and client service are maintained. In conjunction with the continuous investments in new technologies, such as the use of on-board computers, the Fund has extended its employee training programs to maximize the use of such technological tools. These initiatives are designed to ensure the quality of services provided to the Fund's clientele while enabling it to better control its labour costs. The Fund also works to ensure the successful integration and training of the employees of any newly acquired businesses, as applicable.

## *Environmental Matters*

The operations and properties of the Fund are subject to environmental laws and requirements in both Canada and the United States relating to, among other things, air emissions and the management of contaminants. A risk of environmental liabilities is inherent in transportation operations, historic activities associated with such operations and the ownership, management or control of real estate.

The cargo carried by the Fund in its freight transportation operations can be classified as either non-regulated freight or regulated freight such as hazardous materials or environmentally regulated waste. Strict parameters must be met before the Fund and the individual drivers are permitted to transport regulated freight. This involves specific insurance requirements, training programs and registration permits with the various provinces and states in which the Fund operates.

A number of the Fund's terminals provide full maintenance service and fuel facilities. Each terminal has a series of operational systems that have been implemented to control environmental impacts relating to its specific operation.

Following some emission standards that came into effect in October 2002 in the United States, many transporters had to carry out upgrades on old trucks. Given the relatively new age of its fleet, the Fund has not been required to make significant expenditures.

### *Trademarks*

The Fund has a total of 93 applied-for or registered trademarks in Canada and the United States, of which 70 are for use in Canada and 23 for use in the United States. Of these, the most important are: (i) TransForce in Canada; (ii) Kingsway in Canada and the United States; (iii) TST family of trademarks in Canada and the United States; (iv) CF family of trademarks in Canada and the United States; and (v) Canpar in Canada. In addition, the Fund uses a number of unregistered trademarks. The Fund re-evaluates its intellectual property portfolio on a regular basis and, in this regard, may deem it advisable to register additional trademarks in the future.

## RISK FACTORS

### *Risks Related to the Business of TransForce*

The following are major risk factors facing the Fund.

***Competition.*** Deregulation in the transport field has increased the number of competitors as well as competition with respect to price. Competition is particularly strong in the Toronto-Montreal-Quebec corridor. In addition, TransForce faces competition from other transporters in Ontario, Quebec and in the northeast United States; certain of these competitors may through affiliations or otherwise have greater financial resources than TransForce.

The North American waste management industry is very competitive. TransForce faces competition in the waste management industry from several large and well-capitalized competitors and a large number of local and regional competitors. Some of TransForce's competitors have significantly larger waste management operations, significant financial resources and greater name recognition with respect to waste management than TransForce or may be able or willing to provide or bid their services at a lower price than TransForce. Because companies can enter the collection segment of the non-hazardous solid waste management industry with very little capital or technical expertise, there are a large number of regional and local collection companies in the industry. TransForce faces competition from these businesses in the markets and regions it currently serves.

***Regulation.*** Notwithstanding the fact that the transportation industry is largely deregulated, carriers must obtain licences issued by provincial transport boards in order to carry goods inter-provincially or to transport goods within any province. Licensing from United States regulatory authorities is also required for the transportation of goods between Canada and the United States. Regulation of the operations of transportation companies may become more stringent over time. Any change in these regulations could have an adverse impact on the scope of TransForce's transportation activities.

The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and laws. Although TransForce is committed to compliance with laws and safety, there is no assurance that it will be in full compliance with them at all times. Consequently, at some future time, TransForce could be required to incur significant costs to maintain or improve its compliance record.

The waste management business is subject to legislation and governmental regulations that may restrict TransForce's waste management operations or increase its costs of operations.

TransForce's waste management equipment, facilities and operations are subject to extensive and changing federal, provincial and local laws and regulations relating to environmental protection, health, safety, land use, transportation and related matters. These include, among others, laws and regulations governing the use, treatment, transportation, storage and disposal of hazardous substances and other wastes and materials, air emissions and quality, waste water discharges and water quality, permissible or mandatory methods of processing waste, the remediation of contamination and, in general, the emission of pollutants into the environment. Environmental laws and regulations have been enforced more stringently in recent years because of greater public interest in protecting the environment. In addition, federal, state, provincial and local governments may change the rights they grant to, and the restrictions they impose on, waste management companies, and those changes could restrict TransForce's waste management operations and growth.

TransForce's compliance with regulatory requirements relating to waste management may be costly and, to so comply, TransForce may be required to enhance, supplement or replace its waste management equipment and facilities. TransForce may not be able to offset the cost of complying with these requirements. In addition, changes to environmental laws and regulations or a more stringent application or interpretation thereof may obligate TransForce to spend amounts in addition to those currently accrued for such purposes.

TransForce, through its Services Matrec division, owns a non-hazardous solid waste landfill located in the city of Chicoutimi Québec. In addition, it participates in two joint venture landfills, one located in Larouche Québec, the other in Moose Creek Ontario. Each of these sites is regulated and permitted by the relevant provincial ministry of the environment. The loss by TransForce of any of these permits would have a material adverse effect on TransForce's waste management business.

From time to time, provincial and local authorities enact laws or regulations imposing fees or other charges on waste disposed of at landfills located in those provinces. If any significant fees are imposed and TransForce is not able to recover these fees from its customers, its operations and profitability could be negatively affected.

***General Economic Conditions.*** Demand for freight transport and waste management is closely linked to the state of the overall economy. Consequently, a decline in general economic growth may adversely impact the Fund's performance.

***Interest Rate Fluctuations.*** TransForce is subject to fluctuations in interest rates. TransForce seeks to manage its interest rate exposure through interest swap contracts. TransForce has approximately 72% of its long-term debt in variable-rate instruments and the remaining 28% at fixed rates. As at December 31, 2006, TransForce had \$286 million of long-term debt at variable rates. A change of 1% in interest rates has a \$2.86 million impact on the Fund's earnings before taxes. Nonetheless, TransForce does not anticipate an interest rate increase in the short-term that might have a negative effect on its operating results, financial position or cash flow.

**Currency Fluctuations.** For the fiscal year ended December 31, 2006, net U.S. denominated cash flow stood at approximately US \$121 million. For the fiscal year ended December 31, 2006, a one cent fluctuation in the value of the U.S. dollar compared to the Canadian dollar has a \$1.21million impact on the Fund's earnings before income taxes. TransForce has acted to partially limit this risk through the use of foreign exchange forward contracts.

The fair value of the foreign exchange contracts generally reflects the estimated amounts that TransForce would receive from settlements of favourable contracts or that it would be required to pay to cancel unfavourable contracts at the balance sheet date. As at December 31, 2006, the notional amount of these contracts was \$28.8 million and the average exchange rate was \$1.1597. As at the same date, the fair market value of foreign exchange contracts was approximately \$228,000.

**Price of Fuel.** TransForce is at risk with respect to variations in the price of fuel. TransForce is generally able to recover the majority of added fuel costs through surcharges to its customers. The cost of fuel ranges from 6% to 29% of revenue, depending on the operating segment.

TransForce has entered into heating oil (or diesel fuel) futures that expire on various dates through December 2007. As at December 31, 2006, the notional amount of these contracts was \$4.075 million, and the average heating oil price of the contracts was \$0.81 per litre. As at December 31, 2006, the fair market value of the heating oil futures was negative \$600,000.

**Insurance.** TransForce's operations are subject to risks inherent in the transportation and waste management sectors. TransForce subscribes for insurance in amounts which it considers appropriate in the circumstances and having regard to industry norms. TransForce may become liable with respect to risks in respect of which it cannot obtain insurance or for which it chooses not to obtain insurance as a result of high premiums or for other reasons, or for damages which exceed the maximum coverage provided for in the insurance policies.

**Collective Agreements.** At the date hereof, the collective agreements between TransForce and the vast majority of its unionized employees have been renewed. The renewed collective agreements have a variety of expiration dates, ranging from March 31, 2007 to February 28, 2012. TransForce cannot predict the effect which any new collective agreements or the failure to enter into such agreements may have on its operations upon the expiry of the current agreements.

**Environmental Matters.** TransForce uses storage tanks at certain of its transportation terminals. Canadian and United States laws and regulations generally impose potential liability on the present or former owners or occupants or custodians of properties on which contamination has occurred. Although TransForce is not aware of any contamination which, if remediation or clean-up were required, would have a material adverse effect on TransForce, certain facilities have been in operation for many years and over such time, TransForce or the prior owners, operators or custodians of the properties may have generated and disposed of wastes which are or may be considered hazardous. There can be no assurance that TransForce will not be required at some future date to incur significant costs to comply with environmental laws, or that its operations, business or assets will not be materially affected by current or future environmental laws.

TransForce, its transportation operations and its properties are subject to extensive and frequently changing federal, provincial, state, municipal and local environmental laws, regulations and requirements in both Canada and the United States relating to, among other things, air emissions, the management of contaminants

including hazardous substances and other materials (including the generation, handling, storage, transportation and disposal thereof), discharges and the remediation of environmental impacts (such as the contamination of soil and water, including ground water). A risk of environmental liabilities is inherent in transportation operations, historic activities associated with such operations and the ownership, management or control of real estate.

With respect to its waste management business, TransForce may be subject to orders, fines, penalties and other legal action relating to compliance with environmental laws and regulations, and to civil claims from parties alleging harm as a consequence of migrating contamination, odours, other releases in the environment or other environmental matters (including the acts or omissions of predecessor companies) for which the business may be responsible. TransForce may also be subject to court challenges of its operating permits.

Environmental laws may authorize, among other things, federal, provincial and local environmental regulatory agencies to issue orders, bring administrative or judicial actions for violations of environmental laws and regulations or to revoke or deny the renewal of a permit. Potential penalties for such violations may include, among other things, civil and criminal monetary penalties, imprisonment, permit suspension or revocation, and injunctive relief. These agencies may also, among other things, revoke or deny renewal of TransForce's operating permits, franchises or licenses for violations or alleged violations of environmental laws or regulations, and impose environmental assessment, removal of contamination, follow-up or control procedures.

***Environmental Contamination.*** TransForce may have liability for environmental contamination associated with its current or formerly owned or leased waste management facilities as well as third-party facilities. If TransForce incurs liability under applicable federal, state, provincial and local laws and regulations and if it cannot identify other parties whom it can compel to contribute to its expenses and who are financially able to do so, it could have a material adverse effect on TransForce's financial condition and results of operations.

TransForce could be subject to orders and other legal actions and procedures brought by governmental or private parties in connection with environmental contamination, emissions or discharges. Any substantial liabilities associated with environmental contamination or emissions of pollutants generally, whether to federal, state, provincial or local environmental authorities or other parties, could have a material adverse effect on TransForce's financial condition and results of operations.

***Key Personnel.*** The future success of TransForce will be based in large part on the quality of its management and key personnel. The loss of this key personnel could have a negative effect on TransForce. There can be no assurance that TransForce will be able to retain its current personnel or, in the event of their departure, to attract new personnel of equal quality.

***Loan Default.*** TransForce's current credit facilities and financing agreement impose covenants and obligations on TransForce. There is a risk that such loans may go into default if there is a breach in complying with such covenants and obligations, which could result in TFI Operating Trust being restricted from paying distributions to the Fund (and consequently the Fund being unable to pay distributions to unitholders) and the lenders realizing on their security and causing the Fund to lose some or all of its investment.

***Credit Facilities.*** TransForce's credit facilities and financing agreement mature on various dates. There can be no assurance that such credit facilities or financing agreement will be renewed or refinanced, or if renewed or refinanced, that the renewal or refinancing will occur on equally favourable terms to TransForce. The

Fund's ability to pay cash distributions to unitholders may be adversely affected if TransForce is not able to renew its credit facilities or arrange refinancing, or if such renewal or refinancing, as the case may be, occurs on terms materially less favourable to TransForce than at present.

**Availability of Capital.** The amount of cash available for distribution to unitholders may be dependent on TransForce's ability to fund a portion of its capital expenditures and working capital with the current credit facilities and financing agreement. The Fund may be required to reduce distributions or sell additional trust units in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to TransForce for necessary or desirable capital expenditures or that the amount required will be the same as currently estimated.

### ***Risks Related to the Structure of the Fund***

**Dependence upon TFI Holdings.** The Fund is an unincorporated open-ended, limited purpose trust which is entirely dependent upon the operations and assets of the entities which, taken together, carry on the Fund's business (the "Operating Entities") through the Fund's ownership of TFI Operating Trust units and the secured subordinated Series 1 Notes of TFI Operating Trust (the "OT Notes"). Accordingly, the Fund's ability to make cash distributions to the unitholders is dependent upon the ability of TFI Operating Trust to declare any dividends or other return of capital in respect of TFI Operating Trust units which ability is, in turn, dependent upon the operations and assets of TFI Holdings, TFI Holdings Limited Partnership ("TFI Limited Partnership") and the Operating Entities. There can be no assurance regarding the amounts of income to be generated by the Operating Entities and therefore funds available to the Fund. In addition, the Operating Entities may require some or all of their available income for capital expenditures, acquisitions or other purposes, thereby reducing the ability of the Fund to make cash distributions to unitholders.

**Capital Investment.** The timing and amount of capital expenditures will directly affect the amount of income available for distribution to unitholders. Distributions may be reduced, or even eliminated, at times when significant capital or other expenditures are made.

**Nature of Trust Units.** Securities like the trust units are hybrids in that they share certain attributes common to both equity securities and debt instruments. As holders of trust units, unitholders will not have the statutory rights normally associated with ownership of shares of a corporation governed by the *Canada Business Corporations Act* including, for example, the right to bring "oppression" or "derivative" actions. The protections, rights and remedies available to Unitholders are contained in the declaration of trust of the Fund dated July 30, 2002 (the "Declaration of Trust"). The trust units represent a fractional interest in the Fund. The Fund's primary assets are TFI Operating Trust units and the OT Notes.

The trust units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

**Unitholder Limited Liability.** The Declaration of Trust provides that no unitholder will be subject to any liability in connection with the Fund or its obligations and affairs or for any act or omission of the trustee of the Fund (the "Trustee") and, in the event that a court determines unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, each unitholder's share of the

Fund's assets. The Declaration of Trust further provides that all written instruments signed by or on behalf of the Fund will contain a provision or be subject to an acknowledgement to the effect that such obligation will not be binding upon unitholders personally and that such provision or acknowledgement will be held in trust and enforced by the Trustee for the benefit of the unitholders.

However, in conducting its affairs, the Fund assumes certain contractual obligations and may have to assume further obligations in the future. Although the Trustee will use reasonable efforts to have any contractual obligations modified so as not to have such obligations binding upon any of the unitholders personally, it may not obtain such a modification in all cases.

Notwithstanding the terms of the Declaration of Trust, unitholders may not be protected from liabilities of the Fund to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Fund (to the extent that claims are not satisfied by the Fund's assets) that arise other than under contracts, including claims for negligent acts, claims for taxes and possibly certain other statutory liabilities. The business of the Fund and its subsidiaries, and TFI Holdings and its subsidiaries and partnership interests, are conducted, upon the advice of counsel, in such a way and in such jurisdictions so as to avoid, as far as possible, any material risk of liability to the unitholders for claims against the Fund including obtaining appropriate insurance, where available, for the operations of TFI Holdings and its subsidiaries and ensuring that all written agreements signed by or on behalf of the Fund include a provision that such obligations are not binding upon unitholders personally. However, there can be no assurance that a unitholder will not be subject to liability in the future.

***Distribution of Securities on Termination of the Fund.*** Upon a termination of the Fund or the Fund and TFI Operating Trust, TFI Operating Trust units and/or TFI Operating Trust, as applicable, so distributed may not be qualified investments for trusts governed by RRSPs, RRIFs, DPSPs and RESPs, depending upon the circumstances at the time, may be subject to resale restrictions under applicable securities laws, may not be listed on any stock exchange and there may be no market for such securities.

***Additional Dilution of Existing Unitholders' Interests.*** The Declaration of Trust authorizes the Fund to issue an unlimited number of trust units. Such securities may be issued on terms and conditions established by the Trustee without the approval of unitholders. Additional issuances of securities will result in dilution of the interests of unitholders.

***Restrictions on Potential Growth.*** The payout by the Operating Entities of substantially all of their operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of the Operating Entities and their cash flow.

***Income Tax Matters.*** On October 31, 2006, the Minister of Finance (Canada) announced new tax proposals concerning the taxation of income trusts and other flow-through entities (the "October 31, 2006 Proposal"). The October 31, 2006 Proposal was followed by the release of draft legislation by the Department of Finance on December 21, 2006 (the "2006 Proposed Amendments"). The 2006 Proposed Amendments, if enacted as currently drafted, will subject the Fund to trust level taxation as of January 1, 2011, subject to application of the Quebec tax regime discussed further below. In addition, the taxable distributions received by investors from the Fund, would be treated as taxable dividends.

There can be no assurance that the Fund will be able to retain the benefit of the deferred application of the new tax regime until 2011. If the Fund is deemed to have undergone “undue expansion” during the period from November 1, 2006 to December 31, 2010, as described in a press release issued by the Department of Finance (Canada) on December 15, 2006 that provides guidance on what the Department of Finance means by “normal growth”, the 2006 Proposed Amendments would become effective on a date earlier than January 1, 2011.

On December 20, 2006, the Minister of Finance (Quebec), announced that Quebec’s tax legislation will be harmonized with the federal tax legislation, but a separate Quebec tax regime relating to flow-through entities will be implemented. The Minister of Finance (Canada) has not yet indicated if and how the 2006 Proposed Amendments will be amended to take into account the proposed Quebec tax regime.

No assurance can be given that the final legislation implementing the 2006 Proposed Amendments will be consistent with Finance announcements or that income tax law respecting income trusts will not be further changed in a manner which adversely affects the Fund and its Unitholders. To the extent that changes, including the 2006 Proposed Amendments, are implemented, such changes could result in adverse tax consequences that may impact the future level of cash distributions made by the Fund and, among other things, there can be no assurance that the Fund will be able to maintain its current level of distributions.

Further, interest on the OT Notes and the subordinated notes of TFI Holdings (the “TFI Holdings Notes”) directly or indirectly accrues at the Fund level for income tax purposes whether or not actually paid. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to unitholders in order to eliminate the Fund’s taxable income. Where interest on such Notes has accrued but has not been paid in whole or in part and the Fund is unable to make a cash distribution, the Declaration of Trust provides that additional trust units may be distributed to unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market value of those trust units in their taxable income, in circumstances when they do not directly receive a cash distribution.

Income fund structures generally involve significant amounts of interest-bearing inter-company or similar debt, generating substantial interest expense, which serves to reduce earnings and therefore income tax payable. There can be no assurance that the taxation authorities will not seek to challenge the amount of interest expense and financing cost deducted by TFI Operating Trust, TFI Holdings, TFI Limited Partnership or the Operating Entities. If such a challenge were to succeed, the return to Unitholders may be adversely affected. On October 31, 2003, the Minister of Finance (Canada) released, for public comment, proposed amendments to the Income Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, the proposed amendments may deny the realization of losses in respect of a business if there is no reasonable expectation that the business will produce a cumulative profit over the period that the business can reasonably be expected to be carried on. The Fund is of the view that the interest expenses and other expenses to be claimed by it and by each of TFI Operating Trust, TFI Holdings, TFI Limited Partnership and the Operating Entities will be reasonable and supportable and that such expenses will be correctly determined. The Fund has advised counsel that it does not believe that the proposed amendments will have a material effect on its tax position. After an extended period of public consultations, the 2005 Budget Proposals announced that the Minister of Finance (Canada) has sought to respond to concerns about the proposal by developing “a more modest legislative initiative” that would respond to taxpayer’s concerns while still achieving the Government’s objective. It cannot yet be determined whether such further legislative proposals will have an effect on the Fund.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-resident persons of Canada unless, in general terms, all or substantially all of its property is property other than "taxable Canadian property" as defined in the Income Tax Act. The Fund has adopted mechanisms to ensure that the Fund is not maintained primarily for the benefit of non-resident persons. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Income Tax Act which provided that a trust would cease to qualify as a mutual fund trust should trust units representing more than 50% of the fair market value of all issued trust units be held by one or more non-residents of Canada or partnerships that are not Canadian partnerships, as defined in the Income Tax Act, and if more than 10% of a trust's property as determined by its fair market value was taxable Canadian property or certain other property. The Notice of Ways and Means Motion of December 6, 2004 implementing certain measures relating to the foregoing September 16, 2004 draft amendments did not include this proposal. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of trust units of the Fund were held by non-residents and partnerships other than Canadian partnerships, the Fund would thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. In addition, the Minister of Finance (Canada) announced on December 6, 2004 that further discussion will be pursued with the private sector in this regard.

The 2006 Proposed Amendments may have an adverse impact on the Fund, its Unitholders and the value of the Units and on the ability of the Fund to undertake financings and acquisitions. The effect of the 2006 Proposed Amendments on the market for Units is uncertain.

***Investment Eligibility.*** There can be no assurance that the trust units will continue to be qualified investments for RRSPs, DPSPs, RRIFs and RESPs under the Income Tax Act. The Income Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

***Limitations on Non-Resident Ownership.*** The Declaration of Trust provides that at no time may Non-Residents be the beneficial owners of more than 49% of the trust units. In the event that the Trustee becomes aware that Non-Residents are the owners of more than 49% of the trust units, the Trustee may require certain of the Non-Residents to sell their trust units. The limitation on ownership of trust units by Non-Residents may have an adverse impact on the liquidity of the trust units. In addition, the sale by Non-Residents of a significant number of trust units at the demand of the Trustee may have an adverse effect on the market price of the trust units.

***Liability of Limited Partners.*** TFI Limited Partnership and certain of the Operating Entities are limited partnerships constituted under the Civil Code of Quebec. The Civil Code of Quebec provides that limited (or special) partners are not liable for the debts of the partnership beyond the amount agreed to be contributed by them to the common stock of the partnership, notwithstanding any transfer of their share of such common stock. A holder of units of TFI Limited Partnership who gives other than an advisory opinion with regard to the management of TFI Limited Partnership or negotiates any business on behalf of, acts as mandatary or agent for, or allows his name to be used in any act of TFI Limited Partnership, will be liable in the same manner as the General Partner for the obligations of TFI Limited Partnership resulting from such acts and, according to the importance or number of such acts, may be liable in the same manner as the General Partner for all the obligations of TFI Limited Partnership.

TFI Holdings is a limited (or special) partner of TFI Limited Partnership. TFI Holdings is a subsidiary of TFI Operating Trust, which also owns all of the issued and outstanding shares of the General Partner. It is therefore possible that a court might ultimately determine that TFI Operating Trust and/or TFI Holdings took

part in the management of TFI Limited Partnership in light of their relationship to the General Partner. In such event, it is possible that TFI Operating Trust and/or TFI Holdings would be held liable in the same manner as the General Partner for the obligations of TFI Limited Partnership.

## DISTRIBUTIONS

Since the completion of its initial public offering in September 2002, the Fund has made monthly cash distributions. The Fund has paid the distributions to unitholders of record on the last business day of each month on the 15<sup>th</sup> day of the following month. Commencing December 2002, the Fund made monthly cash distributions of \$0.095 per trust units, representing \$1.14 per trust units for the fiscal year ended December 31, 2003. Since that time, the Fund has increased its monthly cash distributions on seven occasions and declared three special distributions, as set out below. As a result of the increase in the regular monthly cash distributions announced on April 26, 2006, the Fund currently makes monthly cash distributions of \$0.1275 per trust unit, representing \$1.53 per trust unit on an annual basis. On February 26, 2007, the Fund announced that its regular monthly cash distributions would again increase, from \$0.1275 to \$0.1325 per trust unit, representing an increase on an annual basis from \$1.53 to \$1.59 per trust unit.

### April 2004

On April 21, 2004, the Fund announced that its regular monthly cash distributions would increase from \$0.095 to \$0.0975 per trust unit, representing an increase on an annual basis from \$1.14 to \$1.17 per trust unit. The increase came into effect on June 15, 2004 for Unitholders of record on May 31, 2004.

### October 2004

On October 15, 2004, the Fund announced that its regular monthly cash distributions would again increase, from \$0.0975 to \$0.10 per trust unit, representing an increase on an annual basis from \$1.17 to \$1.20 per trust unit. The increase came into effect on November 15, 2004 for Unitholders of record on October 29, 2004.

### December 2004

On December 14, 2004, the Fund announced that its regular monthly cash distributions would again increase, from \$0.10 to \$0.1025 per trust unit, representing an increase on an annual basis from \$1.20 to \$1.23 per trust unit. The increase came into effect on January 14, 2005 for Unitholders of record on December 31, 2004.

### April 2005

On April 19, 2005, the Fund announced that its regular monthly cash distributions would again increase, from \$0.1025 to \$0.10625 per trust unit, representing an increase on an annual basis from \$1.23 to \$1.275 per trust unit. The increase came into effect on May 13, 2005 for Unitholders of record on April 29, 2005.

### July 2005

On July 19, 2005, the Fund announced that its regular monthly cash distributions would again increase, from \$0.10625 to \$0.11 per trust unit, representing an increase on an annual basis from \$1.275 to \$1.32 per trust unit. The increase came into effect on August 15, 2005 for Unitholders of record on July 29, 2005.

#### November 2005

On November 30, 2005, the Fund announced that its regular monthly cash distributions would once again increase, from \$0.11 to \$0.1175 per trust unit, representing an increase on an annual basis from \$1.32 to \$1.41 per trust unit. The increase will come into effect on February 15, 2006 for Unitholders of record on January 31, 2006.

#### February 2006

On February 10, 2006, the Fund announced that its regular monthly cash distributions would again increase, from \$0.1175 to \$0.125 per trust unit, representing an increase on an annual basis from \$1.41 to \$1.50 per trust unit. The increase came into effect on March 15, 2006 for Unitholders of record on February 28, 2006.

#### April 2006

On April 26, 2006, the Fund announced that its regular monthly cash distributions would again increase, from \$0.125 to \$0.1275 per trust unit, representing an increase on an annual basis from \$1.50 to \$1.53 per trust unit. The increase came into effect on June 15, 2006 for Unitholders of record on May 31, 2006.

#### February 2007

On February 26, 2007, the Fund announced that its regular monthly cash distributions would again increase, from \$0.1275 to \$0.1325 per trust unit, representing an increase on an annual basis from \$1.53 to \$1.59 per trust unit. The increase will come into effect on April 15, 2007 for Unitholders of record on March 31, 2007.

#### Special Distributions

On December 14, 2004, the Fund announced the declaration of a special distribution of \$0.055 per trust unit. The special distribution was paid on January 14, 2005 to Unitholders of record on December 31, 2004.

On September 2, 2005, the Fund announced the declaration of a special distribution in the amount of \$0.56 per trust unit, following the sale by the Fund of its customs brokerage subsidiary M&C International Trade. The special distribution was paid on October 14, 2005 to Unitholders of record on September 30, 2005 through the issuance of additional trust units at a price of \$17.276 per trust unit, representing the average closing price of the trust units on the TSX for the five trading days immediately prior to September 2, 2005. As a result, the Fund issued a total of 1,966,314 units.

On November 30, 2005, the Fund announced the declaration of a special distribution of \$0.09 per trust unit. The special distribution was paid on January 13, 2006 to Unitholders of record on December 30, 2005.

On October 20, 2006, the Fund announced the declaration of a special distribution in the amount of \$0.2627 per trust unit following the sale by the Fund of the hazardous waste and industrial cleaning operations of its waste management subsidiary Services Matrec Inc. The special distribution was paid on November 15, 2006 to Unitholders of record on October 31, 2006 through the issuance of 0.0155 additional units at a price of \$13.248 per trust unit, representing the average closing price of the trust units on the TSX for the five trading days immediately prior to November 15, 2006. As a result, the Fund issued a total of 1,114,592 units.

As a result of the increases in the monthly cash distributions and the special distribution, the Fund paid distributions of \$1.7194 per trust unit in respect of 2006, compared to \$1.9363 per trust unit in respect of 2005.

## DESCRIPTION OF CAPITAL STRUCTURE

The interests in the Fund are divided into two classes designated as trust units (collectively, the "Trust Units") and special voting units (collectively, the "Special Voting Units") (although the Special Voting Units entitle the holders only to voting rights and do not entitle the holders to distributions from, or net assets of, the Fund upon the termination or winding-up of the Fund). The Trust Units are entitled to the rights and subject to the limitations, restrictions and conditions set out in the Declaration of Trust, summarized as follows:

### *Trust Units*

An unlimited number of Trust Units may be issued pursuant to the Declaration of Trust. Each Trust Units is transferable and represents an equal undivided beneficial interest in the Fund and in any distributions from the Fund whether of net income, net realized capital gains (other than net realized capital gains distributed to redeeming unitholders) or other amounts, and in the net assets of the Fund in the event of the termination or winding-up of the Fund.

All Trust Units are of the same class with equal rights and privileges and are not subject to future calls or assessments. Each Trust Units is fully paid and non-assessable and entitles the holder thereof to one vote for each whole Trust Units held at all meetings of unitholders.

Except as set out under "Redemption at the Option of Unitholders" below, the Trust Units have no conversion, retraction, redemption or pre-emptive rights.

### *Redemption at the Option of Unitholders*

Trust units are redeemable at any time on demand by the holders thereof. As the Trust Units have been issued in book-entry form, a unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the unitholder's investment dealer who will be required to deliver the completed redemption notice form to the Fund at its head office and to the Canadian Depository for Securities Limited ("CDS"). Upon receipt of the redemption notice by the Fund, all rights to and under the Trust Units tendered for redemption will be surrendered and the holder thereof will be entitled to receive a price per Trust Units (the "redemption price") equal to the lesser of:

- (i) 90% of the "market price" of the Trust Units on the principal market on which the Trust Units are listed for trading during the ten trading day period commencing immediately subsequent to the redemption date, being the date on which the Trust Units were surrendered for redemption; and
- (ii) 100% of the "closing market price" on the principal market on which the Trust Units are listed for trading on the redemption date.

For the purposes of this calculation, "market price" will be an amount equal to the weighted average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Trust Units traded on a particular day, the "market price" shall be an amount equal to the

weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the ten trading days, the "market price" shall be the weighted average of the following prices established for each of the ten trading days: the weighted average of the last bid and last asked prices of the Trust Units for each day there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the weighted average of the highest and lowest prices of the Trust Units for each day that there was trading if the market provides only the highest and lowest prices of Trust Units traded on a particular day. The "closing market price" shall be an amount equal to the closing price of the Trust Units if there was a trade on the redemption date and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of the Trust Units if there was trading and the exchange or other market provides only the highest and lowest prices of Trust Units traded on a particular day; or the weighted average of the last bid and last asked prices of the Trust Units if there was no trading on that date.

The aggregate redemption price payable by the Fund in respect of all Trust Units surrendered for redemption during any calendar month shall be satisfied by way of payment by cheque no later than the last day of the month following the month in which the Trust Units were tendered for redemption, provided that the entitlement of unitholders to receive cash upon the redemption of their Trust Units is subject to the limitations that:

- (i) the total amount payable by the Fund in respect of those Trust Units and all other Trust Units tendered for redemption in the same calendar month shall not exceed \$50,000, provided that the Trustee may, in its sole discretion, waive this limitation in respect of all Trust Units tendered for redemption in any calendar month;
- (ii) at the time the Trust Units are tendered for redemption, the outstanding Trust Units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustee considers, in its sole discretion, provides representative fair market value prices for the Trust Units; and
- (iii) the normal trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the redemption date or for more than five trading days during the ten day trading period commencing immediately after the redemption date.

If a unitholder is not entitled to receive cash upon the redemption of Trust Units as a result of the foregoing limitations, then the redemption price for such Trust Units shall be the fair market value thereof as determined by the Trustee and shall, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie*. In such circumstances: (a) the Trustee shall effect the conversion of such number of OT Notes into Series 3 Notes of TFI Operating Trust ("Series 3 Notes"), the principal amount of which is equal to a prescribed percentage of the amount of the *in specie* redemption price to which a holder whose Trust Units are redeemed is entitled as a result of such redemption, rounded down to the next lowest whole multiple of \$100, and the Trustee shall distribute such Series 3 Notes to such unitholder in satisfaction thereof; and (b) the Trustee shall redeem such number of TFI Operating Trust Units and require the Fund to pay the *in specie* redemption price for such redeemed Trust Units by the issuance to the Fund of Series 2 Notes ("Series 2 Notes") of TFI Operating Trust in the manner specified in the OT Declaration of Trust as will generate a distribution from TFI Operating Trust to the Fund of such number of Series 2 Notes, the principal amount of which is equal to a prescribed percentage of the amount of the *in specie* redemption price to which a

unitholder whose Trust Units are redeemed is entitled as a result of such redemption, rounded down to the next lowest whole multiple of \$100, and the Trustee shall distribute such Series 2 Notes to such unitholder in satisfaction thereof. Where the Fund makes a distribution *in specie* of a *pro rata* number of securities on the redemption of Trust Units of a unitholder, the Fund currently intends to allocate to that unitholder any capital gain realized by the Fund as a result of the distribution of such securities to the unitholder. The Fund will make reasonable efforts to ensure that any consideration received upon the redemption of Trust Units by a registered retirement savings plan, registered retirement income fund, deferred profit sharing plan, registered education savings plan or registered pension plan is a qualified investment under the Income Tax Act for such plans provided that such plan elects to receive a qualified investment.

To date, the redemption right described above has not been the primary mechanism for holders of Trust Units to dispose of their Trust Units. Any securities which may be distributed *in specie* to unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop for such securities.

## MARKET FOR SECURITIES

The units of the Fund are listed on the Toronto Stock Exchange under the symbol TIF.UN. TransForce units are included in the S&P/TSX Capped Income Trust Index. The following is information regarding the trading prices and volume of units of the Fund for the year ended December 31, 2006:

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
January 2006	19.10	17.00	2,811,500
February 2006	19.75	18.23	4,557,400
March 2006	19.49	18.40	4,064,000
April 2006	19.30	18.25	2,098,600
May 2006	18.80	17.00	2,619,200
June 2006	18.68	16.50	1,884,600
July 2006	16.60	15.30	5,050,900
August 2006	16.14	15.70	3,559,300
September 2006	17.05	15.85	2,898,800
October 2006	17.83	14.00	3,941,800
November 2006	14.75	12.56	6,385,200
December 2006	13.76	12.55	6,815,300

## TRUSTEES AND OFFICERS

Computershare Trust Company of Canada is the sole trustee of the Fund and has been elected to serve until the next annual meeting of unitholders of the Fund.

Following the conversion of TFI into the Fund in September 2002, the board of directors of TFI became the trustees of TFI Operating Trust, a wholly owned subsidiary of the Fund. At present, nine individuals serve as trustees of TFI Operating Trust and perform generally the same role as that performed by the board of directors of TFI.

The following table sets out the name, municipality of residence, position held with TFI Operating Trust or TransForce Administration Inc. and principal occupation of each person who is either a trustee or officer of TFI Operating Trust or an officer of TransForce Administration Inc. and, if a trustee, the year in which the person became a trustee. Each of the trustees has been elected to serve until the next annual meeting of unitholders of the Fund.

<u>Name and Municipality of Residence</u>	<u>Position with TFI Operating Trust</u>	<u>Position with TransForce Administration Inc.</u>	<u>Principal Occupation</u>	<u>First Year as Director of TFI / Trustee of TFI Operating Trust<sup>(4)</sup></u>
Alain Bédard, C.A., C.M.A. <sup>(5)</sup> , Calgary, Alberta, Canada	Chairman of the Board of Trustees and Trustee	President, Chief Executive Officer, Chairman of the Board and Director	President, Chief Executive Officer, Chairman of the Board and Director TransForce Administration Inc.	1992
André Bérard <sup>(1)(3)</sup> Montreal, Quebec, Canada	Lead Trustee	—	Corporate Director	2003
Richard Guay <sup>(1)(3)</sup> Montreal, Quebec, Canada	Chairman of the Audit Committee and Trustee	—	Corporate Director	2004
Joe Marsilli, C.A. Montreal, Quebec, Canada	Trustee	—	Vice President Investments and Finance Jolina Capital Inc. (holding company)	2002
Sheila O'Brien, CM <sup>(2)</sup> Calgary, Alberta, Canada	Chairwoman of the Human Resources & Compensation Committee	—	Corporate Director and Business Consultant	2006
Katherine A. Rethy, LL.B. <sup>(2)(3)</sup> Toronto, Ontario, Canada	Chairwoman of the Corporate Governance & Nominating Committee and Trustee	—	Corporate Director	2003
Ronald D. Rogers <sup>(1)(6)</sup> Calgary, Alberta, Canada	Trustee	—	Corporate Director	2006
Joey Saputo <sup>(2)(7)</sup> Montreal, Quebec, Canada	Trustee	—	President Gestion Soplajoey Inc. (holding company)	1996

<u>Name and Municipality of Residence</u>	<u>Position with TFI Operating Trust</u>	<u>Position with TransForce Administration Inc.</u>	<u>Principal Occupation</u>	<u>First Year as Director of TFI / Trustee of TFI Operating Trust<sup>(4)</sup></u>
H. John Stollery, ENG. <sup>(2)</sup> Mississauga, Ontario, Canada	Trustee	—	Chairman of the Board Process Capital Corporation (manufacturing company)	2000
Johanne Dean Verdun, Quebec, Canada	Vice President, Marketing and Communication	Vice President, Marketing and Communication	Vice President, Marketing and Communication TransForce Administration Inc.	—
Sylvain Desaulniers, CIRC Montreal, Quebec, Canada	Vice President, Human Resources	Vice President, Human Resources	Vice President, Human Resources TransForce Administration Inc.	—
Josiane-M. Langlois, LL.M. Beaconsfield, Quebec, Canada	Vice President, Legal Affairs & Corporate Secretary	Vice President, Legal Affairs & Corporate Secretary and Director	Vice President, Legal Affairs & Corporate Secretary and Director TransForce Administration Inc.	—
Chantal Martel, LL.B. Vaudreuil-Dorion, Quebec Canada	Vice President, Insurance & Compliance	Vice President, Insurance & Compliance	Vice President, Insurance & Compliance TransForce Administration Inc.	—
Richard Potvin, C.A. St-Luc, Quebec, Canada	Vice President, Finance	Vice President, Finance	Vice President, Finance TransForce Administration Inc.	—
Salvatore Vitale, C.A. Kirkland, Quebec, Canada	Chief Financial Officer	Chief Financial Officer and Director	Chief Financial Officer and Director TransForce Administration Inc.	—

(1) Member of the Audit Committee.

(2) Member of the Human Resources and Compensation Committee

(3) Member of the Corporate Governance and Nominating Committee

(4) Prior to September 30, 2002, the trustees in place were acting as Directors of TFI

(5) Alain Bédard was a director of Arbec Forest Products Inc. (formerly Uniforêt Inc.), which filed for protection under the *Companies' Creditors Arrangement Act* (Canada) in April 2001. In May 2003, the company entered into a plan of arrangement with its creditors, and completed the implementation of this plan in February 2004.

- (6) Ronald D. Rogers was a director of GT Group Telecom Inc. ("GT"), sitting on the Board of Directors as a representative of Shaw Communications Inc. In early June 2002, Mr. Rogers resigned as a director of GT. GT filed for protection under the *Companies' Creditors Arrangement Act* (Canada) in late June 2002.
- (7) Joey Saputo was a director of 3741851 Canada Inc. (formerly Expert Medic Inc.), which was declared bankrupt under the *Bankruptcy and Insolvency Act* (Canada) on August 30, 2005.

During the last five years, each of the foregoing has held the principal occupation shown opposite his or her name with the exception of: Mr. Richard Guay, who prior to his retirement in August 2003, held a number of senior positions with the Banque Laurentienne of Canada, including Executive Vice-President; Mrs. Kathy A. Rethy who prior to August 2006 held a number of senior positions with Noranda Inc. and Falconbridge Inc., a mining and metals company; Mr. Joey Saputo, who prior to January, 2006 held a number of senior positions with Saputo Inc., a dairy foods manufacturing company and from March 2001 to January 2004 was President of Jolina Capital Inc.; Mr. Salvatore Vitale, who prior to March 31, 2003, was Vice-president Finance of Intertape Polymer Group; Mrs. Johanne Dean, who prior to April 28, 2003, was Vice-president, Sales and Marketing for Cabano-Kingsway Transport Inc., a subsidiary of the Fund, Mr. Richard Potvin, who prior to July 2004, was Corporate Controller for the Fund, Mr. Sylvain Desaulniers, who prior to July 2004, was Human Resources Director for the Fund and Mrs. Chantal Martel who prior to January 8<sup>th</sup>, 2006, was Director Compliance for the Fund.

As at March 1, 2007, the trustees or officers of TFI Operating Trust or the officers of TransForce Administration Inc., as a group, beneficially owned, directly or indirectly, or otherwise controlled, an aggregate of 4,310,974 trust units, representing 5.0% of the issued and outstanding trust units for the Fund.

To the knowledge of the Fund, none of the foregoing Trustee of the TFI Operating Trust and executive officer of TransForce Administration Inc.:

- (a) is as of the date of this Annual Information Form, or within the last ten years of the date of this Annual Information Form has been, a director or executive officer of any company that, while that person was acting in that capacity:
  - (i) was the subject of a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days;
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in such company becoming the subject of a cease trade or similar order, or an order that denied such company access to any exemption under applicable securities legislation for a period of more than 30 consecutive days; or
  - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets,

except as set out in the notes to the above table.

## AUDIT COMMITTEE

### **Audit Committee Charter**

The text of the Audit Committee charter is set out as Schedule D to the Fund's Circular dated March 7, 2006 for the fiscal year ended December 31, 2006. The Fund's Circular is available on SEDAR at [www.sedar.com](http://www.sedar.com) and can also be obtained by contacting the Secretary of the Fund at 8585 Trans-Canada Highway, Suite 300, Montreal, Quebec H4S 1Z6, Telephone (514) 331-4000.

### **Audit Committee Composition**

The Audit Committee is composed of three members, namely Richard Guay, Chairman, André Bérard and Ronald D. Rogers. Each member of the Committee is independent and financially literate within the meaning of Regulation 52-110.

### **Relevant Education and Experience**

Each member of the Audit Committee has a good command of generally accepted accounting principles and has the ability to understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Fund's financial statements. This section describes at greater length how these members acquired their financial literacy.

Richard Guay, prior to his retirement in August 2003, held a number of senior positions with the Banque Laurentienne, including Executive Vice-President.

André Bérard is a corporate director of several companies and prior to 2004 was Chairman of the Board of the National Bank of Canada.

Ronald D. Rogers, prior to his retirement in August 2001, was Senior Vice-President and Chief Financial Officer of Shaw Communications Inc.

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

The audit committee has adopted in its charter, a specific policy and procedure for the engagement of non-audit services.

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

The table below represents all fees paid by the Fund to its external auditor, KPMG LLP, Chartered Accountants for the years ended December 31, 2006 and 2005:

	Year ended December 31	
	2006	2005
Audit fees .....	\$ 425,000	\$ 290,000
Audit-related fees <sup>(1)</sup> .....	106,225	30,000
Tax fees <sup>(2)</sup> .....	9,200	47,590
All other fees <sup>(3)</sup> .....	0	203,075
<b>TOTAL</b> .....	<b>\$ 540,425</b>	<b>\$ 570,665</b>

- (1) Audit-related fees were billed for assurance and related services that are reasonably related to the performance of the audit or review of the Fund's annual financial statements and are not reported as part of audit fees including review of interim financial statements.
- (2) Tax fees were billed for professional services rendered for tax compliance, tax advice and tax planning.
- (3) These fees were billed for services other than audit fees, audit-related fees and tax fees, principally for fees relating to business acquisitions and public issuance.

### TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Trust Units of the Fund is Computershare Trust Company of Canada at its principal offices in Montreal and Toronto.

### MATERIAL CONTRACTS

The only Material Contract, other than a contract entered into in the ordinary course of business, that is material to the Fund and that was entered into within the most recently completed financial year is the Credit Agreement dated as of October 19, 2006 among TFI Holdings Limited Partnership, a TransForce subsidiary, as borrower and a banking syndicate led by the National Bank Financial as lender and National Bank of Canada as administrator that establishes an authorized revolving term loan of \$250 million, maturing in September 2010, and a \$160 million term loan, maturing in September 2013, for TransForce. The credit facility is secured by way of trade accounts receivable and rolling stock. Interest rates float, generally at Canadian prime. In addition, the credit facility provides for borrowing by use of Bankers' Acceptances.

### NAME AND INTERESTS OF EXPERTS

KPMG LLP is the firm of auditors who prepared the Auditors' Report and the report on Canadian generally accepted audit standards prepared with respect to our Consolidated Financial Statements for the years ended December 31, 2006, 2005 and 2004. KPMG LLP has confirmed to us that they are independent in accordance with the applicable rules of professional conduct of each of the provinces of Canada.

As of the date hereof, the partners and associates of KPMG LLP as a group beneficially owned, directly or indirectly, less than 1% of the outstanding units of the Fund.

## ADDITIONAL INFORMATION

Additional information, including trustees' and officers' remuneration and indebtedness (if any), principal holders of the Fund's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Fund's Management Proxy Circular in respect of the annual meeting of the unitholders to be held on April 24, 2007.

Additional financial information is provided in the Fund's audited consolidated financial statements and management's discussion and analysis relating thereto for the fiscal year ended December 31, 2006, included in the Fund's 2006 Annual Report.

These documents, as well as additional information relating to the Fund, including any of the Fund's news releases, are also available on SEDAR at [www.sedar.com](http://www.sedar.com).