



**ROCTEST LTD.**

**ANNUAL INFORMATION FORM**

**FOR THE FISCAL YEAR ENDED DECEMBER 29, 2006**

**March 22, 2007**

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## **1. CORPORATE STRUCTURE**

### **1.1. Corporate name and incorporation**

Roctest Ltd. (“Roctest” or the “Company”) was incorporated under the *Companies Act* (Québec) on May 11, 1967. Articles of continuance under Part IA of this Act were filed on July 15, 1980 and articles of amendment were subsequently filed on July 24, 1987 to change the Company’s head office judicial district, change its capital stock, change the number of its directors, and repeal the Company’s status as a private company.

Its head office is located at 665, Pine Avenue, Saint-Lambert, Québec, Canada.

### **1.2. Subsidiaries**

Roctest is the sole shareholder and holds 100% of the voting shares of the following companies:

ROCTEST INC.

Incorporated under the laws of the State of New York in 1975, and having its head office at, 1 Trans-Border Drive, Champlain, N.Y., 129103568, U.S.A.

EN.OM.FRA., S.A.S.

French company incorporated in 1969 under the French companies’ laws, and having its head office at 6, avenue Eiffel, 77220 Gretz-Armainvilliers, France.

TELEMAC, S.A.

French company incorporated in 1991 under the French companies’ laws, and having its head office at 10, avenue Eiffel, 77220 Gretz-Armainvilliers, France.

FISO TECHNOLOGIES INC.

Incorporated in May 1994 under Part IA of the Companies Act (Québec). Articles of amendment under Part IA of this Act were filed in August 1994 to change the corporate name of this company from 9005-4222 Québec Inc. to FISO Technologies Inc. (“FISO”). The head office is located at 500 St-Jean-Baptiste Street, Suite 195, Québec, Québec, Canada.

RTF HK LIMITED

Incorporated in October 2005 under the *Companies Ordinance Hong-Kong* (China). The head office is located at 8/F Gloucester Tower, the Landmark, 11 Pedder , Central, Hong-Kong.

SMARTEC SA

Swiss company incorporated in 1996 under the Swiss companies’ laws, and having its head office at 11, Via Pobiette, 6928 Manno, Switzerland.

## **2. GENERAL DEVELOPMENT OF BUSINESS**

### **2.1. History of the Company and changes in 2006**

In the past three years, Roctest’s activities primarily consisted in the design, manufacturing and sale of sensors and high precision measuring instruments for the industrial control and civil engineering markets. These instruments and their monitoring systems play a leading role in the maintenance of safe conditions for major civil

engineering works (dams, tunnels, bridges, etc.) at every phase of construction and operation. The last two years have also seen an expansion of Roctest's markets through its positioning in the industrial instrumentation field. This positioning reflects Roctest management's commitment to growth both in the civil engineering sector and in the fiber optic sector for the health, energy and industrial control markets. All of its products may be customized to fit particular requirements and specialized projects.

In 2004, both sectors of the Company reached record sales figures. The sizeable markets of Asia, the Middle-East and Canada allowed the civil engineering sector to reach historical revenues, while growth in the French, Asian and US markets was responsible for the fiber optic sensor sector having its highest revenue to date.

The implementation of many business processes to increase efficiency and effectiveness in managing resources both technically, for R&D and production, as well as increased automation have brought benefits during 2004. In addition, the Company proceeded with the integration of an Enterprise Resource Planning (ERP) system, namely Great plains from Microsoft.

In 2005, the Company's revenues in the civil engineering sector posted a very small increase of 1.6%. This small increase is attributable to market conditions, namely important projects that were postponed and the negative impact of the exchange rate vis à vis the Euro and the United States dollar.

In the industrial market sector, there was a 11% reduction in sales in 2005. This decrease is mainly attributable to the transition period resulting from a strategic repositioning which began in the first half of 2005 where our FISO subsidiary implemented a new strategic direction that targets the OEM market (Original Equipment Manufacturer).

This strategic refocusing will prove to be beneficial for FISO as we anticipate significant positive and permanent repercussions of this refocusing in 2007. At the end of the last quarter of 2005, its order book rose to \$ 1.2 million compared to \$0.4 million for the same period in the previous year.

FISO rededicated itself to the energy sector whereas, in 2003 and 2004, the defence sector was one of its priorities. In 2005, the conclusion of an important agreement with the Schlumberger Company, a world leader in the oil and gas sector and the development of new products for the electric sector illustrate the growing importance of these market segments and will pay off in the longer term.

Furthermore, for its operating process, the Company integrated the Enterprise Resource Planning System (ERP), Great Plains, at its Telemac subsidiary in France.

On November 30, 2005, Roctest completed a private placement of 741,852 units at a price of \$2.50 per unit, for gross proceeds to Roctest of \$1,854,630.

Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of Roctest at a price of \$3.50 for 30 months. The private placement was effected pursuant to prospectus exemptions under applicable securities legislation.

Roctest has obtained confirmation from Revenu Québec that its common shares qualify under the SME Growth Stock Plan ("régime Actions-croissance PME"). The common shares issued in the private placement therefore constitute eligible shares for purposes of the SME Growth Stock Plan, providing a 100% deduction for Quebec income tax purposes to eligible individual investors, provided certain conditions are met.

In 2006, revenues from both sectors of the Company decreased. In comparison with 2005, revenues from the civil engineering sector decreased by \$2,4 million. This decrease was compensated by revenues from the new subsidiary, Smartec SA, which were posted since the date of its acquisition, on May 19, 2006, in the amount of \$1.8 million.

The principal reason for the decrease in revenue of this sector is a notable slow down in Canada and in France, compared with 2005. Some projects were delayed to 2007, particularly for the Company's french subsidiary, Télémac S.A.S. Some projects, for which a confirmation was expected for 2006 in Canada, will only materialize during the next fiscal years.

Generally, the Company has suffered a decrease in its revenues for all the markets where it is present. It is important to be noted that the acquisition of Smartec S.A., completed on May 19, 2006, allows Roctest to offer a distributed optic technology for the instrumentation of civil engineering works. Since its creation in 1996, Smartec operated in the development of technologies and instrumentation of structures using fiber optic sensing, so much so that it became world-famous in its field of expertise. Roctest may now offer a wider range of geotechnical instruments by including the optic sensing technologies.

For the industrial fiber optic sensors sector, revenues were down 6% compared to last year. The decrease in revenues of this sector is explained by an accrued competition which resulted in an important drop in prices for certain markets, among which the energy market. Moreover, FISO encountered delays in the obtention of volume orders from OEM clients, which only materialized at the end of 2006, FISO also began developing solutions for the market of process controls. This new market generated its first orders towards the end of 2006, the product development taking longer than originally expected.

Further to the Smartec acquisition made in May, the Company proceeded to the integration of this subsidiary in order to make uniform the computer and financial management systems. Moreover, during a meeting with the group agents, distributing networks of this subsidiary and those of Roctest were integrated for a better geographical distribution.

At the end of 2006, Roctest carried out a restructuring, mainly at the St-Lambert plant, in order to reduce costs by \$1 million yearly, on a recurrent basis. Roctest also increased the proportion of work done by external suppliers for some operations, along the terms of outsourcing agreements, as well as increasing its supply of raw materials and finished products from foreign manufacturers at lower costs. Roctest hired an engineer in China, who will be responsible for increasing product and component sourcing. These steps aim at allowing Roctest to return to profitability in 2007.

## **2.2. Significant Acquisitions**

In 2006, Roctest acquired all the outstanding shares of Smartec SA. On May 25, 2006, the Company filed a Material Change Report on SEDAR concerning the closing of the acquisition transaction of Smartec SA. This report, which summarized the terms of the transaction, is incorporated herein by reference.

### 3. DESCRIPTION OF BUSINESS

#### 3.1. Sector of activities

Roctest operates within two sectors, each contributing an important element to the group in terms of product range, technical expertise and geographic market penetration, which allows Roctest to offer a complete set of services to its clients.

Roctest Group product sales are divided into two major business sectors, for which sales in 2006, 2005 and 2004 were as follows:

Civil Engineering	Tunnels, bridges, large buildings, monuments, roads, dams, mines and testing equipment	2006: 74% 2005: 71% <b>2004: 74%</b>
Industrial market	Fiber optic sensors for industrial applications, health, energy and industrial control markets.	2006: 26% 2005: 29% <b>2004: 26%</b>

#### Products

##### Civil Engineering

The products sold by the civil engineering sector can be grouped in four families: mechanical products, electronic products (reading stations or acquisition centres), vibrating-wire products (Sensonic line) and fiber optic products (Sensoptic line). All of these products are used for geotechnical and structural measurements (measurements of strain, force, displacement, pressure, tiltmetry, level, capacity) for civil and mining engineering works (dams, tunnels, mines, etc.). These products are also used for data acquisition and data processing. Other specialized in-situ products allow geotechnical testing (in situ tests, measurement of load-bearing capacity or resistance to deformation of soil and rock masses) or laboratory testing.

The instruments used to measure physical parameters such as strain, deformation or pressure are mainly based on two technologies: the vibrating-wire technology (invented in the 60s) and the second newly developed technology which uses fiber optic and the Fabry-Pérot interferometer principle.

In management's view, these fiber optic products represent an innovation in the geotechnical and structural instrumentation field and provide Roctest with a competitive advantage over its main competitors. These sensors offer clear benefits such as immunity from lightning and electromagnetic interference, the possibility of performing dynamic measurements and increased precision.

Moreover, further to the acquisition of Smartec SA, Roctest group can now offer a new range of optic products to its civil engineering sector clients. This technology opens new markets for the Company such as bridge and tunnel instrumentation, various structures such as high-rise buildings and pipe-lines.

The main supplier of services is EN.OM.FRA. S.A.S., which carries out surveys, geotechnical tests and services related to the field of environmental testing. In addition, each company has a team of technicians, who can install equipment, train customer personnel and deliver on-site programming of data acquisition and processing systems.

In short, Roctest is in a position to offer a turnkey solution in numerous geographical markets.

#### Industrial market

FISO Technologies' transducers offer great versatility, high accuracy, and large dynamic range. Our transducers are among the most attractive fiber-optic sensors available on the market today. All of FISO Technologies' fiber-optic gauges are designed around a Fabry-Pérot interferometer (FPI). Basically, a FPI consists of two mirrors facing each other, the space separating the mirrors being called the cavity length. Light reflected in the FPI is wavelength-modulated in exact accordance with the cavity length. Since well-designed FPI gauges convert strain, temperature, load, or pressure into cavity length variations, the key to the successful use of FPI technology is to find a practical way of obtaining precise and reliable Fabry-Perot cavity length measurements. FISO's patented white-light cross-correlator (U.S. patent 5,392,117 and 5,202,939) offers a unique and powerful way to make absolute Fabry-Pérot cavity length measurements with astonishing accuracy and linearity, thus providing accurate readings.

Main features of FISO's fiber optic sensors:

- **Ease of use:** no tuning or calibration procedures. Connect the gauge to a FISO signal conditioner, enter the associated "Gauge Factor" once and you are ready to start measurements.
- **Perfect linear response** achieved through absolute measurement of FPI cavity length.
- **Insensitivity to light loss** due to fiber bending, cable length, or light source fluctuations.
- **Versatility of the technique** allows the user to perform various types of measurements with the same fiber optic signal conditioner. FISO offers a wide range of FPI gauges for strain, force & load, temperature, pressure, linear displacement applications.
- **Dynamic range** of 1:15 000
- **Resolution** of 0.01%
- **50/125 micrometers multimode fibers** used to make the gauges meet telecommunications standards.

To perform measurements, fiber optic transducers must be coupled with one of FISO's fiber optic signal conditioners. Our signal conditioners are designed to precisely convert the optical signal encoded by the transducer into engineering units.

### 3.2. Marketing and Sales

Globally, no customer of the Roctest Group accounts for more than 10% of the consolidated sales.

#### Civil Engineering

In the civil engineering sector, contracts to supply instruments and related services are usually made through bids or through customer/supplier negotiations. Marketing and promotion are usually carried out by way of advertisements in specialized publications and through participation in trade shows organized in the context of specialized international symposiums and conferences and through a worldwide network of agents.

Sales in Canada, the United States and France are made principally by Roctest, Roctest Inc. and Telemac, while sales in the rest of the world include direct sales, sales made by the Company's new swiss subsidiary and sales made through local manufacturing agents. The sales of this sector totalled \$14.7 million in 2006, \$15.3 million in 2005 and \$15.1 million in 2004.

#### Industrial market

Sales in the industrial market sector are made by FISO Technologies Inc., in the fields of temperature, pressure and strain.

Sales in Canada and the USA are made by FISO directly, and international sales are made through direct representatives and a network of distributors. FISO Technologies Inc. relies on Roctest for its Sensoptic product line to cover the geotechnical field. Sales reached \$5.2 million in 2006, \$5.5 million in 2005 and \$6.2 million in 2004. These amounts exclude the Sensoptic line, which is sold by Roctest.

### **3.3. Supplies**

#### Civil Engineering

The sector has a supply policy that gives it access to more than one supplier for any given material. It has never experienced problems with its supplies in the past nor does it anticipate any in the foreseeable future.

#### Industrial market

Most of the parts comprising a system offer great supply flexibility from various suppliers both in terms of parts and subcontractors. However, certain electronic parts and certain optical components may, from time to time, incur variable delivery delays. To address this issue, FISO maintains a minimum inventory level for the most strategic parts and components and, on the other hand, constantly seeks alternate suppliers.

### **3.4. Competition**

#### Civil Engineering

There are approximately 10 main global manufacturers of products that compete with those made by Roctest, located in North America and Europe, each with a dominant share of its domestic market. In addition, there are some 35 to 50 small manufacturers-distributors who offer a limited range of products for specific applications, often within a particular field.

In Canada, the competition comes mainly from two companies — Solinst Canada Ltd., located in Toronto (which is mainly a distributor of an American manufacturer) and RST Instruments Ltd., located in Vancouver as well as a few distributors of imported products. In the US, the major competition comes from two manufacturers, Durham Geo Slope Indicator, in the field of inclination measurement, and Geokon Inc., a maker of vibrating-wire instruments that competes directly with the Sensonic product line. In Europe, competition comes mainly from companies like Soil Instruments Limited and Geotechnical Instruments, in England, and Sisgeo, in Italy. All of these manufacturers have more or less extensive distribution networks. The Asian market is open to international competition except in Japan where the market is reserved to a few local manufacturers little known outside the country, except for Oyo Corporation, which competes worldwide.

## Industrial market

Currently, there are around thirty competitors manufacturing fiber optic sensors of which the majority is exclusively focused in the area of distributed measurements, a niche market not targeted by FISO. For single point measurement, FISO is currently the only known manufacturer with a fiber optic technology capable of measuring pressure, temperature, strain, displacement and refractive index. This enables FISO to address efficiently all key fiber optic sensor markets. For the medical applications the main competitor is Iptek; in the energy sector the competitors are Luxtron and Neoptix; in the R&D, Aerospace and military sectors our main competitor is Opsens. For civil engineering applications, FISO products do not have a real equivalent and the competition is essentially coming from traditional technologies such as vibrating wire.

### **3.5. Research and development**

#### Civil Engineering

One of the determining factors in the success of Roctest is its technological leadership resulting from its investments in research and development and in quality management.

Roctest meets the current needs of its clients who require that the instruments they use meet increasingly demanding ruggedness, accuracy and reliability criteria and ensure long-term safety of the civil engineering works. Its joint projects with several research centres, universities and private sector companies allow it to refine the existing instrumentation and to innovate in order to remain at the cutting edge of technology.

Roctest continued the development of its line of fiber optic sensors adapted to the civil engineering field with its participation in two industrial chairs of the Université de Sherbrooke and the activities of its subsidiary FISO Technologies Inc. This new generation of sensors, recognized for their long-term precision and their capacity for dynamic readings, confirms Roctest's cutting edge position in the market. This line is trademarked as Sensoptic™.

As regards quality management, Roctest secured the ISO 9001 certification for its Saint-Lambert plant in January 1997, a first in the field of major project instrumentation. Today, Roctest meets the ISO 9001:2000 standards and is certified as such since March 2003.

Since it acquired its swiss subsidiary, Smartec, Roctest also has a product development team located at Manno, in Switzerland. This team is working on the development of sensors based on fiber optic sensing.

#### Industrial market

Short term development activities were continued by improving products performance and quality, as well as by the addition of other products based on the existing technologies but aiming at new applications. Moreover, longer-term development activities, focused on high potential markets, held steady. FISO concluded a development agreement with another international development partner, allowing it to benefit from an improved program of credits for Quebec income tax. Similarly, the development of the medical pressure gauge was continued in 2006. During 2002, an agreement was concluded with a major American manufacturer from the medical field, which participated financially in the implementation of the manufacturing process and will ensure the marketing of the pressure gauges for a specific application. At the beginning of 2007, this manufacturer obtained its FDA (U.S.A.) approval for this product, the volume orders of which will also start in 2007. Roctest has acquired certain

production and research and development equipment in order to increase its technological capability and ensure the quality of its products.

During 2006, the Company continued to use its development processes in order to increase the efficiency of technical and material resources and to allow the Company to have a greater capacity to manage its numerous products more closely, while respecting deadlines.

During 2006, the Company commercialized the signal conditioner introduced at the end of 2005, the Norhec TT, dedicated to monitoring hot points inside of small and medium electric power transformers.

During fiscal year 2006, Roctest invested \$2.58 million in R&D compared to \$2.13 million in 2005 and \$1.89 million in 2004.

### **3.6. Intellectual Property**

Roctest holds and is in the process of obtaining new patents in various countries for the intellectual property related to its products. This intellectual property acquired during the years, is a key factor of the Company's success and allows it to differentiate itself from its competitors.

The intellectual property held by the Company also increases the difficulty for potential competitors to address applications similar to those of the Company. Given the foregoing, Roctest protects its intellectual property by obtaining patents or trademarks in Canada, the United States and other countries, as needed.

### **3.7. Human resources**

As at December 29, 2006, there were 143 non-unionized permanent employees in the group. Roctest provides its employees with a group insurance plan (life, salary and health care insurance).

The group is composed of a multidisciplinary team regrouping scientific and technical expertise in various areas such as software development, electronics, optics, physics, chemistry and civil engineering. The use of trainees (interns) from various disciplines is also encouraged within the different departments of the Company.

The Company provides its employees an environment conducive to the sustained development of their abilities and the full realization of their ambitions. Employees' training and development are key success factors in supporting the growth of the Company. Roctest invested 1% of its total payroll in training during 2006.

The employee's group insurance plan was revised in 2005 in order to improve the various benefits. These improvements were effective as of January 2006.

In 2005, Roctest started implementing a participative management model in order to support its growth and development. Several activities such as training and workshops were given in order to support the managers and the employees with this new management approach.

Health, safety and the environment are also at the heart of the Company's concerns and many related activities were completed in 2006. Roctest is determined to preserve the health and the safety of all its employees by providing a healthy work environment and by managing its business with the conviction that all accidents and occupational diseases can be avoided.

### **3.8. Risk inherent to exchange rate fluctuations**

The exchange rate is a factor to be considered in the evaluation, for accounting purposes, of non-Canadian assets, in particular with regard to the Euro, the Swiss Franc, and the U.S. dollar. The French subsidiaries EN.OM.FRA. S.A.S. and Telemac S.A.S., as well as the swiss subsidiary Smartec SA are defined as being separately operated as at December 29, 2006; the difference between the book value of assets and liabilities of such subsidiaries are deferred and presented as a separate item under shareholders' equity. The U.S. subsidiary Roctest Inc. and the Chinese subsidiary RTF HK Limited are defined as being integrated; any variance between the book value of the assets and liabilities as of the date of the balance sheet and resulting from exchange rate fluctuations is included in the calculation of the net income for the fiscal year. It should be noted that, in 2006, the Company realized close to 90% of its revenues outside Canada.

The currency fluctuation risk to which Roctest is subject is, however, minimized by the fact that a part of its expenses are incurred abroad. In addition, to reduce the risks related to exchange rate fluctuations, Roctest hedges itself, as required, by way of forward exchange contracts. Roctest also borrowed in United States currency to finance the acquisition of the swiss subsidiary. However, no hedging action has been taken until now by Roctest to protect equity in its foreign subsidiaries.

### **3.9 Geopolitical risk**

In the past few years, the geopolitical situation and international community pressures on certain Middle-East countries had a negative impact on the business of the Company by delaying the awarding of contracts or by making the usual commercial conditions more complicated. As the situation in this region remains very unpredictable, the Company must act with even more prudence in the conclusion of business in this part of the world. The possibility of postponement of contracts remains very high.

### **3.10 Environmental Protection**

To the Company's knowledge, requirements related to environmental protection do not and will not have any significant impact on Roctest's capital spending, earnings or competitive position within the normal course of its operating activities.

### **3.11 Risk Factors**

In addition to the other information in this Annual Information Form, the risk factors mentioned in Roctest's Management Discussion and Analysis of Operating Results and Financial Position for the fiscal year ended December 29, 2006, which is incorporated herein by reference, and is available on SEDAR at [www.sedar.com](http://www.sedar.com), should be carefully considered when evaluating an investment in the common shares.

### **3.12 Special Note Regarding Forward Looking Statements**

Certain statements contained under the captions "General Development of the Business", and "Description of the Business" and elsewhere in this Annual Information Form constitute forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "anticipate", "believe", "expect" and similar

expressions, as they relate to Roctest or its management, are intended to identify forward-looking statements. Such statements reflect Roctest's current views with respect to future events and are based on information currently available to Roctest and are subject to certain risks, uncertainties and assumptions, including those discussed above. Many factors could cause Roctest's actual results, performance or achievements to differ materially from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. These factors should be considered carefully, and prospective investors should not place undue reliance on the forward-looking statements. These forward-looking statements are made as of the date of this Annual Information Form, and Roctest does not intend, and does not assume any obligation, to update or revise these forward-looking statements.

#### **4. DIVIDENDS**

The common shares participate in any dividend which may be declared, paid or set aside for payment thereon. In fiscal 2006, considering the Company's need to reinvest in its operations, the board of directors of the Company determined the Company would not pay a dividend. The Company has not paid dividends during the last three fiscal years. The board of directors of the Corporation re-evaluates its dividend policy annually.

#### **5. DESCRIPTION OF CAPITAL STRUCTURE**

As of the date of the Annual Information Form, there were 5,563,071 common shares of the capital-stock of Roctest issued and outstanding. No preferred share was issued.

The authorized capital stock of Roctest is composed of an unlimited number of common shares, without par value, voting and participating and an unlimited number of preferred shares, issuable in series, dividend and redemption value to be determined by the Directors at time of issuance.

##### **5.1 Common shares**

Subject to the rights, privileges, restrictions and conditions of the preferred shares, as a category or as a series ranking in priority to the common shares, the latter, as a category, grant the holders the right to i) vote on the basis of one vote per common share at all shareholders' meetings; ii) receive any dividend declared by Roctest, except for dividends declared with respect to another category or a particular series of shares and iii) receive the remaining property of Roctest in the event of liquidation or dissolution of the Company.

##### **5.2 Preferred shares issuable in series**

The statutes of Roctest authorize the issuance of preferred shares in one or more series and allow the Directors to determine the number and designation of the shares of each series as well as the attributes that the shares of each series will have, without approval. The preferred shares issued in series do not grant the holders the right to vote, be convened or attend the shareholders' meetings. The preferred shares issued in series will rank in priority with respect to dividend payments and capital reimbursement in the event of the dissolution of Roctest or distribution of property upon the liquidation amongst the shareholders.

## 6. MARKET FOR SECURITIES

The Company is a publicly traded company since July 24, 1987. The common shares are traded on the Toronto Stock Exchange (“Exchange”) since December 6, 1999 under the symbol “RTT”.

The following table sets forth the price range of the shares on the Exchange as well as the volume of these shares traded each month for the year ended December 29, 2006.

	High	Low	Volume
January 2006	\$2.47	\$2.25	52,065
February 2006	\$2.75	\$2.15	110,474
March 2006	\$2.70	\$2.20	35,898
April 2006	\$2.58	\$2.50	29,016
May 2006	\$2.55	\$2.20	30,231
June 2006	\$2.22	\$2.01	69,552
July 2006	\$2.18	\$2.00	28,139
August 2006	\$2.05	\$1.85	14,317
September 2006	\$2.00	\$1.85	19,200
October 2006	\$2.50	\$1.86	24,219
November 2006	\$2.10	\$1.40	65,822
December 2006	\$1.80	\$1.55	45,575
For the Year	\$2.75	\$1.40	524,508

## 7. DIRECTORS AND EXECUTIVE OFFICERS

The following table and subsequent notes provide the names, city, province and country of residence, their principal occupation held with the Company, the period during which each Director has served as a director and the principal occupation during the five preceding years for the Directors and Executive Officers of Roctest as at March 22, 2007. Directors are elected until the next annual meeting of shareholders or, in the case of a vacancy or resignation, until a successor is elected or appointed.

Name, city, province and principal occupation with the Company	Director since	Principal occupation
Richard Bourget <sup>(2)</sup> Laval, Québec Canada Director	May 2001	February 1999 – to present, Consultant and company director
Normand Bourque <sup>(1)(3)</sup> Lorraine, Québec Canada Director	May 2002	October 2002 – to present, company director February 1996 – October 2002, President and Chief Executive Officer,

<b>Name, city, province and principal occupation with the Company</b>	<b>Director since</b>	<b>Principal occupation</b>
		NORDX/CDT.
François Cordeau Granby, Québec Canada President and Chief Executive Officer, Director	September 2004	September 2004 to present, President and Chief Executive Officer, Roctest Ltd February 2003 – August 2004, Senior Associate at Caisse de dépôt et de placement du Québec March 2001 – February 2003 Consultant February 1998 – March 2001 Senior vice-president, Mitel Corporation and General Manager of Mitel Semiconductors
François Gilbert <sup>(1)(3)</sup> Québec, Québec Canada Director	Mai 2004	October 2005 – to present, President of Fier-Succès November 2002 – to present, President, Gilbert Conseil d'administration. June 1993 - November 2002. Vice-President and Chief Operating Officer of Gestion Charles Sirois
René Habel Vaudreuil sur le Lac, Québec Canada Vice-president, Operations	–	January 2005 - to present, Vice-president, operations Roctest Ltd. August 2004 – January 2005. Vice-president, operations, XYZ Imaging Inc. September 2002 – July 2004, Vice-president, Professional Services, SET Technologies August 2001 – August 2002 - Vice President, operations, Alfalight Canada. April 1999 – August 2001, Head of Industrial Engineering Worldwide Operations, Mitel Semiconductors
Dr. Daniele Inandi Lugano, Switzerland Vice-president and Chief Technology Officer		May 2006 – to present, Vice-president and Chief Technology Officer, Roctest Ltd. 1996-May 2006, Vice-President Smartec SA, Switzerland
John LeBoutillier <sup>(2)(3)</sup> Montreal, Québec Canada Chairman of the Board and Director	May 2004	May 2005 – to present, Chairman of the Board, Industrial Alliance, Insurance and Financial Services March 2000 – March 2001, Company Director November 1996 – March 2000 President and Chief Executive Officer, Iron Ore Company of Canada
Normand Morin Montreal, Québec Canada Director	May 2006	2004 – to present, company director. 1996 – 2004, Executive Vice President and a member of the Office of the President of, SNC-Lavalin Group Inc.

<b>Name, city, province and principal occupation with the Company</b>	<b>Director since</b>	<b>Principal occupation</b>
Michel Plante Laval, Québec Canada Vice-president and Chief Financial Officer and Secretary	From May 2004 to August 2004 inclusively	December 2003 – to present, Vice-president, and chief financial officer, Roctest Ltd. January 2001 – December 2003 Financial Advisor
François Pelletier Québec, Québec Canada Vice-president, Sales & Marketing FISO technologies Inc.		April 2005 – to present Vice-president, sales and marketing de Fiso Technologies, subsidiary of Roctest Ltd. January 2003 – April 2005 Product Line Director, Ultra Low Power Division, Zarlink Semiconductor, June 2000 – January 2003 Director, sales and marketing , Medical Division, Zarlink Semicondutor July 1998 – June 2000 Director, marketing, Mitel Semiconductor
Colette Roy <sup>(1)</sup> Montreal, Québec Canada Senior Investment Advisor Fonds de solidarité des travailleurs du Québec (F.T.Q.)	October 2006	Oct. 2001- to present, Senior Investment Advisor, Fonds de solidarité des travailleurs du Québec (F.T.Q.) January 1999 – Octobre 2001, Investment Director Fonds régional de solidarité FTQ June 1994 – January 1999, Principal Accounts director Banque de développement du Canada

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance Committee(until this Committee was joined with the Human Resources Committee in May 2006).

(3) Member of the Human Resources and Corporate Governance Committee.

As of March 22, 2007, the Company's Directors and executive officers as a group own, or exercise control or direction over, directly or indirectly, 208,712 common shares representing 3,75% of the Company's issued and outstanding common shares.

To the knowledge of the Company, no director or executive officer is, or has been within the last ten years, a director or executive officer of any company that, while that person was acting in that capacity or 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, other than Mr. Bourget who was, but is no longer, a director of Imatrex Communications

Inc. which filed, in January 2003, for an assignment of its assets under the *Bankruptcy and Insolvency Act*, Mr. Cordeau who was, but is no longer, a director of PHS MEMS which, in February 2004, was put in judicial liquidation pursuant to a court order according to the French law of January 15, 1985, and Mr. LeBoutillier who was, but is no longer, a director of McWatters Mining Inc. (“McWatters”) which filed, in January 2004, a notice of intention to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* and was the subject of a cease trade order. The proposal presented by McWatters was accepted by its creditors in June 2004 and, thereafter, ratified by the Superior Court of Quebec in July 2004.

**8. TRANSFER AGENT AND REGISTRAR**

The Transfer Agent and Registrar is Computershare Trust Company of Canada, having its place of business at 1500 University Street, Montreal, Québec, H3A 3S8, where the registers are kept.

**9. MATERIAL CONTRACTS**

The Company did not enter into any material contract other than contracts in the ordinary course of business, except for the acquisition of Smartec S.A.

**10. INTEREST OF EXPERTS**

Fauteux Bruno Bussière Leewarden LLP (« FBBL ») and Raymond Chabot Grant Thornton LLP, auditors of the Company since May 2005, are the only persons, companies or partnerships, which are named as having prepared or certified a statement, report or valuation described, included or referred to in a filing made by the Company during or relating to the Company’s most recently completed financial year and whose profession gives authority to the statement, report or valuation made.

Partners and associates of FBBL and of Raymond Chabot Grant Thornton LLP own, in the aggregate, less than 1% of the issued and outstanding common shares.

**11. AUDIT COMMITTEE**

The Audit Committee of Roctest Ltd is comprised of three Directors, namely Ms Colette Roy, who became Director in October 2006 further to the resignation of Ms Claude Delâge in August 2006, and Messrs Normand Bourque and François Gilbert, all independent of Roctest Ltd and having the financial literacy required by National Instrument 52-110 of the Canadian Securities Administrators.

The charter of the Audit Committee is attached as Schedule A.

The following section presents the relevant education and experience of each member of the Audit Committee which provide them with a) the understanding of the accounting principles used by Roctest Ltd to prepare its financial statements; b) the ability to assess the general application of such accounting principles; c) the experience in establishing, auditing, analyzing or evaluating these accounting principles and d) the understanding of internal control and procedures for financial reporting.

Mr. Normand Bourque is a chartered accountant and a company director. From February 1996 to October 2002, he was President and Chief Executive Officer of NORDX/CDT and, prior to 1996, he held numerous executive functions at Northern Telecom Ltd. Mr. Bourque is Chairman of the Audit Committee.

Mr François Gilbert is a company director and President of FIER-Succès. He is also a director of Opto-Sécurité (recognition of objects for security purposes), Dynagram (printing software) and GCO Inc. (productivity improvement in manufacturing companies). Mr. Gilbert is a member of the Institute of Corporate Directors and a graduate of the Corporate Governance College of McGill University. In addition, Mr. Gilbert was, during 10 years, Vice-President and Chief Operating Officer of Gestion Charles Sirois, a privately held investment company.

Ms Colette Roy holds a MBA in finance from HEC and a Bachelor in Urban Planning from UQAM. Ms Roy is Senior Investment Advisor, Electric and Electronic Products and Environment, at the Fonds de solidarité des travailleurs du Québec (F.T.Q.). She has 15 years of experience in business financing, including eight years in venture capital acquired at the Fund. With numerous investments to her credit, Colette Roy serves on various boards of directors and is actively involved in certain strategic committees. Before joining the Fonds de solidarité des travailleurs du Québec (F.T.Q.), she worked in SME financing at Desjardins and at the Business Development Bank of Canada.

**12. POLICIES AND PROCEDURES FOR THE ENGAGEMENT OF AUDIT AND NON-AUDIT SERVICES**

The Audit Committee has adopted specific policies and procedures for the engagement of audit and non-audit services. Under these policies and procedures, all audit and non-audit services to be provided by the Company's external auditors must be pre-approved by the Audit Committee. Reference is made to Schedule A hereof that contains the Charter of the Audit Committee of the Company's Board of Directors.

**13. EXTERNAL AUDITORS' SERVICE FEES**

At the Annual and Special Shareholders Meeting held on May 12, 2005, the shareholders did not renew PricewaterhouseCoopers' mandate as auditors and appointed Raymond Chabot Grant Thornton, LLP, as auditors of the Company.

In addition to auditing the financial statements of the Company, Raymond Chabot Grant Thornton LLP, supplied other services to the Company and its subsidiaries for which professional fees were paid. The firm Fauteux Bruno Bussière Leewarden LLP has rendered other services to the Company for which fees have been paid. The following table sets out the detail of those fees for the last two fiscal years:

<b>Fees</b>	<b>Fiscal Year ended December 29, 2006</b>	<b>Fiscal Year ended December 30, 2005</b>
<b>Audit Fees</b> <sup>(1)</sup>		
Raymond Chabot Grant Thornton LLP	\$35,000	\$33,500
PricewaterhouseCoopers LLP <sup>(2)</sup>		\$29,718
Cabinet José Gonzalez <sup>(3)</sup>	\$20,500	
Cabinet FIDIREVISA <sup>(4)</sup>	\$4,550	
<b>Audit Related Fees</b> <sup>(5)</sup>		
Raymond Chabot Grant Thornton LLP	\$43,595	\$23,000
PricewaterhouseCoopers LLP <sup>(2)</sup>		\$5,597
Fauteux Bruno Bussière Leewarden LLP LLP <sup>(6)</sup>	\$51,684	
<b>Tax Fees</b> <sup>(7)</sup>		
Raymond Chabot Grant Thornton LLP	\$7,500	\$4,300
PricewaterhouseCoopers LLP		
<b>Total Fees</b>		
Raymond Chabot Grant Thornton LLP	\$78,595	\$60,800
PricewaterhouseCoopers LLP		\$35,315
Cabinet José Gonzales	\$20,500	
Cabinet FIDIREVISA	\$4,550	
Fauteux Bruno Bussière Leewarden LLP	\$51,684	

- (1) Audit fees consist of fees for the audit on annual consolidated financial statements or services that are normally provided in connection with statutory and regulatory filing executed by external auditors.
- (2) PricewaterhouseCoopers LLP (France) were the auditors for the French subsidiaries for the year ended December 30, 2005. This was the last year of the contractual agreement between the French subsidiaries and PricewaterhouseCoopers LLP.
- (3) The firm José Gonzalez was the auditors for the French subsidiaries for the year ended December 31, 2006.
- (4) The firm FIDIREVISA was the auditors for the new subsidiary Smartec S.A. for the year ended December 31, 2006.
- (5) Audit related fees are fees for assessment and related services related to performance of the audit or review of the financial statements of the Company that are not reported under "Audit Fees". These include due diligence for business acquisitions, audit and accounting consultation regarding business acquisitions and other attest services not required by statutes.
- (6) The firm Fauteux Bruno Bussière Leewarden LLP has furnished company evaluations that our auditors cannot furnish in account of independence rules
- (7) Tax Fees include tax compliance , including preparation of tax returns, tax consultation and tax planning.

**14. ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Roctest's securities and securities authorized for issuance under equity compensation plans is contained in the proxy circular of Roctest dated March 22, 2007.

Additional financial information is provided in Roctest's comparative financial statements and management's discussion and analysis for the financial year ended December 29, 2006 contained in Roctest's 2006 Annual Report. The Annual Report contains a description of risks and uncertainties related to the Company's business sectors and of the mechanisms established by the Company to limit its business risks.

Shareholders can obtain these documents and additional information relating to the Company by consulting SEDAR at [www.sedar.com](http://www.sedar.com) or by communicating with the Secretary of the Company at:

665 Pine Avenue, St-Lambert, Québec, J4P 2P4

Telephone: (450) 465-1113

Fax: (450) 465-1938

# **SCHEDULE A**

## **AUDIT COMMITTEE CHARTER**

### **ROCTEST LTD.**

#### **1. INTERPRETATION**

“financial literacy” means the ability to read and 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 Company’s financial statements.

“committee” means the audit committee established by the board of directors of the Company for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company.

“independent director” means a director who:

- a) has no direct or indirect material relationship with the Company or its subsidiary entities which could, in the view of the board of directors, reasonably interfere with the exercise of this director’s independent judgment;
- b) is not, and in the past three years has not been, an executive officer or employee of the Company or of an affiliated entity;
- c) is not currently, and in the past three years has not been, an officer or employee of the Company or of a subsidiary entity of the Company.
- d) does not have, and in the past three years has not had, a relationship with the Company.

#### **2. OBJECTIVES**

The committee is responsible for performing the duties set out in this charter in order to enable the board of directors to discharge its oversight responsibilities with respect to the following points:

- The integrity of the financial information presented by the Company;
- The internal controls and disclosure controls of the financial information presented by the Company;
- The qualifications and independence of, and the services provided by, the Company’s external auditor;
- The Company’s compliance with the legal and regulatory requirements, particularly compliance with Multilateral Instrument 52-110 respecting Audit Committees.

#### **3. COMPOSITION**

3.1 The committee is composed exclusively of independent directors, all of whom are financially literate, as defined by the regulations or any other definition which the Toronto Stock Exchange or the Canadian securities authorities may indicate from time to time.

- 3.2 The board of directors appoints one of the members of the committee as chair of the committee. If the chair is absent from a meeting, the members present shall choose one of their number to act as chair of the meeting.

#### **4. MEETINGS AND RESOURCES**

- 4.1 Regular meetings of the committee are held on a quarterly basis. Special meetings of the committee may be called by the chair of the committee, the external auditors, the chair of the board of directors of the Company or the chief financial officer of the Company.
- 4.2 The committee's authority may only be exercised by resolution duly adopted at a meeting at which quorum is obtained. Quorum is composed of at least the majority of the members of the committee. Subject to the foregoing obligation, unless the board of directors decides otherwise, the committee has the power to determine its quorum and regulate its procedures. The matters decided by the committee are decided by a majority vote.
- 4.3 The notice of each meeting shall be given to each member and to the chair of the board of directors of the Company, the chief executive officer and the chief financial officer of the Company, all of whom have the right to attend. Notice of the meeting concerning the company's audited annual financial statements shall also be given to the external auditor, a representative of whom shall also attend the meeting.
- 4.4 Notice of a meeting may be given orally or by letter, fax, telephone or electronic means no less than 72 hours before the time set for the meeting. The members may waive notice of any meeting. The notice does not have to state the object or objects for which the meeting is held.
- 4.5 The committee has the power to retain legal counsel, public accountants or other advisers, as it sees fit, to attend its meetings and participate in the discussions and deliberations of the committee's business, at the Company's expense.
- 4.6 The committee is entitled, in the exercise of its authority and to discharge its responsibilities, to review the books and relevant accounts of the Company and of its subsidiary entities.
- 4.7 The chair conducts all the meetings of the committee which he attends and, with the input of the chief financial officer, establishes the agenda of each meeting of the committee.
- 4.8 The chair designates a committee secretary. Minutes shall be produced and kept for each meeting.

#### **5. RESPONSIBILITIES AND FUNCTIONS**

- 5.1 The committee discharges the functions set out in this charter and the other functions which the applicable law or stock market rules render necessary or appropriate or which the board of directors assigns to it from time to time.
- 5.2 The committee reports regularly to the board of directors on its deliberations, the reviews performed and the related recommendations.
- 5.3 General Responsibilities

5.3.1 Although the committee has the responsibilities and powers set out hereinafter, the committee does not have the obligation to plan or perform audits nor to decide whether the Company's financial statements are complete and accurate. This task is incumbent on management and the external auditors.

5.3.2 The committee neither has the obligation to conduct investigations, resolve disagreements, as the case may be, between the management and the external auditors, nor to oversee observance of the law and of the regulations; any unresolved disagreement should be referred to the board of directors.

#### 5.4 Review of the Committee's Mandate

The board of directors shall review the audit committee's mandate and reevaluate its adequacy each year.

#### 5.5 Public Disclosure of Financial Information

5.5.1. The committee reviews and recommends approval by the board of directors, before public disclosure:

5.5.1.1 the unaudited interim financial statements;

5.5.1.2 the audited annual financial statements, jointly with the report of the external auditors;

5.5.1.3. all public information documents containing audited or unaudited financial information, including any prospectus, the annual information form and management's discussion and analysis, as well as the related press releases, including the earnings forecasts;

5.5.1.4 the conformity of the certification by management of the financial reports with the applicable legislation, and the certification of the Company's controls and reporting procedures.

5.5.2. The committee reviews any report appended to published financial statements (to the extent that this report deals with the financial position or operating results) to ensure that the information presented is consistent with the financial statements.

5.5.3 During its review of the financial statements, the committee shall obtain management's explanations of all the material variances between the comparative periods and management's explanations of all the items that differ from the anticipated or budgeted amounts and with respect to the previous periods.

5.5.4 During its review of the financial statements, the committee shall review the unusual or extraordinary items, the related party transactions and the accuracy of the information presented, the book value of assets and liabilities, the tax position and the related provisions, the reserves, if any, stated in the representation letters and the business risks, uncertainties, commitments and contingent debt.

5.5.5 During its review of the financial statements, the committee shall review the relevance of the Company's material accounting principles and methods, including other acceptable alternative principles and methods, and the relevance of the material changes in the accounting principles and methods.

## 5.6 Internal Controls

- 5.6.1 In its role of overseeing the Company's internal control methods and of establishing the related reports by management, the committee performs the following tasks:
- 5.6.1.1 require management to design, implement and maintain appropriate internal control methods;
  - 5.6.1.2 review, evaluate and assess the internal control standards and methods, including the reports established by the external auditor in their regard;
  - 5.6.1.3 meet with management to discuss the effectiveness of internal control methods;
- 5.6.2 In its role of overseeing controls on disclosure of information, the committee reviews and approves the controls and methods which the company has adopted in order to confirm that the material information regarding the Company and its subsidiary entities, which it is required to present under the applicable legislation or stock market rules, is actually presented.

## 5.7 External Auditors

- 5.7.1 The committee shall recommend to the board of directors the appointment and compensation of the external auditors, which firm is ultimately accountable to the committee, the board of directors and the shareholders.
- 5.7.2 The committee shall receive the reports of the external auditors regarding the independence of the auditors, discuss these reports with the auditors and, if the committee so decides, recommend that the board of directors take the necessary measures to ensure the independence of the auditors.
- 5.7.3 The committee shall take the necessary measures to ensure that the external auditors are satisfied with the quality of the Company's accounting principles and that the estimates and accounting assessments made by management are the reflection of an appropriate application of generally accepted accounting principles.
- 5.7.4 The committee shall hold private discussions with the external auditors to review, among other matters, the quality of the financial personnel, the level of cooperation obtained from the executive officers, the differences of opinion or other unresolved material disagreements.
- 5.7.5 The committee shall review the terms of the external auditors' engagement and the relevance and reasonableness of the proposed audit fees and the compensation of the consultants whose services the committee retains.
- 5.7.6 The committee shall review all the material non-audit engagements concerning services provided by the external auditors or their affiliates, and the fees for these services, and consider the impact of these engagements on the independence of the external auditors.
- 5.7.7 The committee shall establish the non-audit services that the external auditors are prohibited from providing.
- 5.7.8 When a change of auditors is proposed, the committee shall review all the questions

related to the change, including the information to be provided under the regulations and the steps to be followed for an orderly transition.

5.7.9 The committee shall review on a regular basis all the points to be reported, including the disagreements, the unresolved issues and the consultations, regardless of whether a change of auditors is envisioned.

5.7.10 When the independence of the auditors is discussed, the committee shall contemplate the rotation of the senior audit partner or the audit partner responsible of reviewing the audit after a certain number of years, as well as the establishment of hiring policies regarding employees or former employees of these external auditors.

## 5.8 Audit Methods

5.8.1 The committee shall review the external audit plans, including the degree of coordination of these plans, and shall inquire about the extent to which the proposed scope of the audit is likely to allow detection of internal control weaknesses or fraud or other illegal acts. The audit plans should be reviewed with the external auditors and with management, and the committee should recommend to the board of directors the scope of the external audit as set out in the audit plan.

5.8.2 The committee shall review the problems experienced by the external auditors in the performance of the audit, including the restrictions imposed by management or the material accounting issues on which there was disagreement with management.

5.8.3 The committee shall review the letter subsequent to the audit or the letter from management setting out the recommendations of the external auditors, and management's response, as well as the subsequent follow-up on any weakness noted.

## 5.9 Risk Management and Other Responsibilities

5.9.1 The committee discusses the Company's standards with respect to the assessment and management of risks.

5.9.2 The committee performs the following tasks with respect to the compliance with the laws and regulations:

5.9.2.1 establish the applicable procedures in the following cases:

5.9.2.1.1 the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls, disclosure controls or audit matters;

5.9.2.1.2 the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.

5.9.3 The committee shall review the material issues regarding the audit of subsidiary entities.

5.9.4 The committee shall review the cases where management requested accounting advice on a specific question from another firm of public accountants than the firm

appointed as auditor.

5.9.5 The committee shall review the legal matters which could have a material effect on the financial statements.

5.9.6 The committee shall review the other financial matters it considers material to its mandate or in accordance with the instructions of the board of directors.

## **6. COMPENSATION**

The members of the Committee are entitled to receive, as such, the compensation which the board of directors may establish from time to time.