Source: **Stella-Jones Inc.**

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STELLA-JONES REPORTS FOURTH QUARTER AND YEAR END RESULTS
Eighth consecutive year of record sales and net earnings

- **Sales growth of 42.7% to $384.8 million**
- **Net earnings of $28.5 million compared with $25.7 million last year**
- **Diluted EPS of $2.25, versus $2.03 in 2007**
- **Q4 sales grew by 72.9% and net earnings by 42.5%**

MONTREAL, QUEBEC – March 12, 2009 - Stella-Jones Inc. (TSX: SJ) today announced financial results for its fourth quarter and fiscal year ended December 31, 2008. The Company reported strong growth in sales driven by the contribution from the operating facilities of The Burke-Parsons-Bowlby Corporation ("BPB"), acquired on April 1, 2008. All product categories posted gains with core railway tie and utility pole categories accounting for the majority of the increase.

Financial highlights (in thousands of dollars, except per share data)	**Quarters ended December 31,**		**Years ended December 31,**	
	2008	**2007**	**2008**	**2007**
Sales	**83,731**	48,439	**384,822**	269,714
Gross profit	**18,665**	12,721	**78,398**	66,788
Net earnings for the period	**6,327**	4,440	**28,547**	25,700
Per share - basic ($)	**0.50**	0.36	**2.29**	2.09
Per share - diluted ($)	**0.50**	0.35	**2.25**	2.03
Weighted-average shares outstanding (basic, in '000s)	**12,562**	12,340	**12,483**	12,324

2008 RESULTS
Sales amounted to $384.8 million, an increase of $115.1 million, or 42.7% over last year's sales of $269.7 million. The contribution from the BPB operations amounted to approximately $91.0 million, while organically, sales increased by about 8.0%. Year-over-year fluctuations in the value of the Canadian dollar, Stella-Jones' reporting currency, reduced the value of U.S. dollar denominated sales by about $6.0 million compared with last year.

Driven by the BPB acquisition, railway tie sales reached $181.1 million, an increase of 92.3% over last year. Sales of utility poles grew 6.4% to $137.8 million with improved demand for distribution poles and stability in the transmission pole market. Sales in the industrial lumber category more than doubled to $33.2 million, reflecting the addition of BPB's ancillary product sales, while sales of consumer lumber increased 10.7% to $32.8 million.

Gross profit was $78.4 million or 20.4% of sales, up from $66.8 million or 24.8% of sales last year. The improvement in gross profit dollars essentially reflects the contribution of the BPB operations. However, gross profit as a percentage of sales declined mainly because of BPB's lower margins. A different product mix and higher wood, energy and transportation costs also negatively affected gross profit as a percentage of sales, partially offset by plant specialization and economies of scale from increased overall volume in the Company's core markets. Net earnings stood at $28.5 million or $2.25 per share, fully diluted, in 2008, compared with $25.7 million or $2.03 per share, fully diluted, in 2007.

"2008 represented the eighth consecutive year of record sales and net earnings for Stella-Jones," said Brian McManus, President and Chief Executive Officer of Stella-Jones. "Demand held firm for all of our products, even while uncertainty characterized the North American economy. We are very pleased with the integration of the BPB acquisition, which speaks highly about the quality of our employees and managers. With the addition of BPB, Stella-Jones became the second largest producer of treated wood railway ties in North America, broadened its product offering and customer base, as well as accentuated its industry leadership, particularly along the eastern seaboard."

FOURTH QUARTER RESULTS

Sales reached $83.7 million, an increase of 72.9% over sales of $48.4 million in the fourth quarter of 2007. The BPB operations generated revenues of approximately $28.0 million, while demand held firm in the Company's core markets. Sales growth was supplemented by a weaker year-over-year Canadian currency that increased the value of U.S. dollar denominated sales by approximately $2.4 million, while last year's fourth quarter results were also lowered by the continuation of the labour conflict in southern British Columbia, which only ended in late October, 2007.

Sales of railway ties amounted to $34.6 million, up from $11.5 million a year earlier, reflecting the BPB acquisition and last year's temporary shortage of railcars at year-end. Utility pole sales reached $35.5 million, representing an increase of 18.1% over sales of $30.0 million in the fourth quarter of 2007, a period affected by the final three weeks of the strike in British Columbia. Industrial lumber sales amounted to $10.4 million, compared with $4.0 million a year earlier, essentially reflecting the BPB acquisition, while consumer lumber sales grew 11.2% to $3.3 million.

Gross profit totalled $18.7 million or 22.3% of sales in the fourth quarter of 2008, up from $12.7 million or 26.3% of sales, a year earlier. Net earnings for the period were $6.3 million or $0.50 per share, fully diluted, compared with $4.4 million or $0.35 per share, fully diluted, last year.

"Although still reflecting the effect of BPB's lower margins, fourth quarter gross profit benefited from lower energy prices and a weaker Canadian dollar versus the U.S. currency," said George Labelle, Senior Vice-President and Chief Financial Officer. "We also initiated the process with our customers of requesting annual selling price adjustments, as permitted by the terms and conditions in many of our fixed price multi-year railway tie contracts, to reflect wood cost increases incurred during the year."

BALANCE SHEET AND LIQUIDITY REMAIN SOLID

As at December 31, 2008, the Company's long-term debt, including the current portion, amounted to $105.8 million, representing a ratio of total long-term debt to shareholders' equity of 0.66:1. Bank indebtedness at the end of 2008 totalled $81.6 million, up from $39.0 million at the end of 2007. This increase mirrors higher working capital requirements resulting from higher sales. Total availability under the Company's Canadian and U.S. operating lines of credit was $10.9 million and US$7.1 million, respectively, as at December 31, 2008.

As the Company's major customers, mainly Class 1 railroad operators and large-scale utility service providers, have good credit standing and a limited history of default, substantially all accounts receivable are fully collectible.

SEMI-ANNUAL DIVIDEND OF $0.18 PER SHARE

The Board of Directors declared a semi-annual dividend of $0.18 per share on the outstanding common shares of Stella-Jones, payable on May 15, 2009 to shareholders of record at the close of business on April 3, 2009.

OUTLOOK

"While the global economic situation calls for a more cautious outlook, the key role played by our products in basic transportation and utility infrastructure, combined with their essential presence in infrastructure projects that governments often initiate during times of economic slowdown, should enable Stella-Jones to maintain market share and grow its business. The full-year contribution and the successful integration of the BPB operations will also be major performance drivers in 2009. We will remain focused on keeping our costs in line and improving efficiencies in our operations," concluded Mr. McManus.

CONFERENCE CALL

Stella-Jones will hold a conference call to discuss these results on Thursday, March 12, 2009, at 10:00 AM Eastern Time. Interested parties can join the call by dialling 1-416-644-3415 (Toronto or overseas) or 1-800-732-9303 (elsewhere in North America). Parties unable to call in at this time may access a tape recording of the meeting by calling 1-877-289-8525 and entering the passcode 21297995#. This tape recording will be available on Thursday, March 12, 2009 as of 12:00 PM Eastern Time until 11:59 PM Eastern Time on Thursday, March 26, 2009.

ABOUT STELLA-JONES

Stella-Jones Inc. (TSX: SJ) is a leading North American producer and marketer of industrial pressure treated wood products, specializing in the production of railway ties and timbers as well as wood poles supplied to electrical utilities and telecommunications companies. The Company also provides treated consumer lumber products and customized services to lumber retailers and wholesalers for outdoor applications. Other products include marine and foundation pilings, construction timbers, highway guardrail posts and treated wood for bridges. The Company's common shares are listed on the Toronto Stock Exchange.

Except for historical information provided herein, this press release may contain information and statements of a forward-looking nature concerning the future performance of the Company. These statements are based on suppositions and uncertainties as well as on management's best possible evaluation of future events. Such factors may include, without excluding other considerations, fluctuations in quarterly results, evolution in customer demand for the Company's products and services, the impact of price pressures exerted by competitors, and general market trends or economic changes. As a result, readers are advised that actual results may differ from expected results.

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HEAD OFFICE	EXCHANGE LISTINGS	INVESTOR RELATIONS
3100 de la Côte-Vertu Blvd.	The Toronto Stock Exchange	George Labelle
Suite 300	Stock Symbol (TSX): SJ	Senior Vice-President and
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NOTICE

The interim unaudited consolidated financial statements of Stella-Jones Inc. for the fourth quarter ended December 31, 2008 have not been reviewed by the Company's external auditors.

(Signed)

George Labelle
Senior Vice-President and Chief Financial Officer

Montréal, Québec
March 12, 2009

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

as at December 31, 2008 and December 31, 2007

	2008 unaudited ($)	2007 ($)
ASSETS		
CURRENT ASSETS		
Accounts receivable	41,501	26,411
Derivative financial instruments (Note 12)	381	658
Inventories	223,199	138,834
Prepaid expenses	5,910	2,266
Income taxes receivable	3,778	784
Future income taxes	2,338	619
	277,107	169,572
CAPITAL ASSETS	108,763	73,309
DERIVATIVE FINANCIAL INSTRUMENTS (Note 12)	347	274
INTANGIBLE ASSETS (Notes 3 & 5)	10,773	---
GOODWILL (Notes 3 & 4)	6,367	---
OTHER ASSETS (Note 6)	3,343	1,344
FUTURE INCOME TAXES	846	357
	407,546	244,856
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 7)	81,560	39,026
Accounts payable and accrued liabilities	28,694	21,856
Customer deposits	2,971	---
Derivative financial instruments (Note 12)	266	---
Future income taxes	118	289
Current portion of long-term debt (Note 8)	4,914	4,409
Current portion of asset retirement obligations	717	751
Current portion of non-compete payable (Note 3)	969	---
	120,209	66,331
LONG-TERM DEBT (Note 8)	100,845	43,035
FUTURE INCOME TAXES	16,625	5,968
ASSET RETIREMENT OBLIGATIONS	577	467
EMPLOYEE FUTURE BENEFITS	1,541	1,298
DERIVATIVE FINANCIAL INSTRUMENTS (Note 12)	1,303	---
NON-COMPETE PAYABLE (Note 3)	5,334	---
	246,434	117,099
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	49,910	46,023
CONTRIBUTED SURPLUS	1,905	4,045
RETAINED EARNINGS	105,055	80,745
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	4,242	(3,056)
	161,112	127,757
	407,546	244,856

See accompanying Notes

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands of dollars, except where specified otherwise)
(unaudited)

	three months ended Dec. 31,		twelve months ended Dec. 31,	
	2008	**2007**	**2008**	**2007**
	(#)	**(#)**	**(#)**	**(#)**
SHARE CAPITAL				
Shares outstanding – beginning of period	12,561	12,340	12,341	12,298
Stock option plan	---	---	14	38
Stock option agreement	---	---	200	---
Share purchase plan	4	1	10	5
Shares outstanding – end of period	12,565	12,341	12,565	12,341

	($)	**($)**	**($)**	**($)**
Shares outstanding – beginning of period	49,849	45,975	46,023	45,473
Stock option plan	---	---	286	367
Stock option agreement	---	---	3,384	---
Share purchase plan	61	48	217	183
Shares outstanding – end of period	49,910	46,023	49,910	46,023
CONTRIBUTED SURPLUS				
Balance - beginning of period	1,829	3,735	4,045	2,417
Stock-based compensation	76	310	741	1,716
Exercise of stock options	---	---	(2,881)	(88)
Balance – end of period	1,905	4,045	1,905	4,045
RETAINED EARNINGS				
Balance - beginning of period	98,728	78,032	80,745	58,004
Net earnings for the period	6,327	4,440	28,547	25,700
Dividends on common shares	---	(1,727)	(4,237)	(2,959)
Balance – end of period	105,055	80,745	105,055	80,745
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
Balance - beginning of period	(694)	(2,720)	(3,056)	(73)
Adoption of new accounting standards for financial instruments, net of taxes of $280	---	---	---	569
Other comprehensive income (loss)	4,936	(336)	7,298	(3,552)
Balance – end of period	4,242	(3,056)	4,242	(3,056)
SHAREHOLDERS' EQUITY	161,112	127,757	161,112	127,757

See accompanying Notes

CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands of dollars, except per share data) *(unaudited)*	**three months ended Dec. 31, 2008 ($)**	**2007 ($)**	**twelve months ended Dec. 31, 2008 ($)**	**2007 ($)**
SALES	83,731	48,439	384,822	269,714
EXPENSES				
Cost of sales (Note 10)	65,066	35,718	306,424	202,926
Selling and administrative	5,382	2,784	20,365	15,858
Foreign exchange (gain) loss	(504)	696	(277)	1,472
Amortization of capital and intangible assets	3,168	1,682	8,365	5,440
(Gain) loss on disposal of capital assets	(3)	22	(19)	(42)
	73,109	40,902	334,858	225,654
OPERATING EARNINGS	10,622	7,537	49,964	44,060
INTEREST ON LONG-TERM DEBT	2,546	914	6,262	3,051
OTHER INTEREST	651	435	2,472	2,452
EARNINGS BEFORE INCOME TAXES	7,425	6,188	41,230	38,557
PROVISION FOR INCOME TAXES	1,098	1,748	12,683	12,857
NET EARNINGS FOR THE PERIOD	6,327	4,440	28,547	25,700
NET EARNINGS PER COMMON SHARE (Note 9)	0.50	0.36	2.29	2.09
DILUTED NET EARNINGS PER COMMON SHARE (Note 9)	0.50	0.35	2.25	2.03

See accompanying Notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of dollars) *(unaudited)*	**three months ended Dec. 31, 2008 ($)**	**2007 ($)**	**twelve months ended Dec. 31, 2008 ($)**	**2007 ($)**
NET EARNINGS FOR THE PERIOD	6,327	4,440	28,547	25,700
Other comprehensive income (loss):				
Net change in unrealized losses on translation of financial statements of self-sustaining foreign operation	11,136	(43)	15,003	(3,627)
Net change in unrealized losses on translation of long-term debt designated as a hedge of net investment in self-sustaining foreign operation (Note 2)	(5,724)	---	(6,482)	---
Change in fair value of derivatives designated as cash flow hedges	(642)	247	(1,142)	2,251
Income tax recovery (expense) on change in fair value of derivatives designated as cash flow hedges	199	(34)	354	(698)
Gain on cash flow hedges reclassed to sales	(47)	(756)	(630)	(2,168)
Income tax recovery on gain on cash flow hedges reclassed to sales	14	250	195	690
	4,936	(336)	7,298	(3,552)
COMPREHENSIVE INCOME	11,263	4,104	35,845	22,148

See accompanying Notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars) *(unaudited)*	three months ended Dec. 31, 2008 ($)	2007 ($)	twelve months ended Dec. 31, 2008 ($)	2007 ($)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings for the period	6,327	4,440	28,547	25,700
Adjustments for				
Amortization of capital assets	2,648	1,682	7,052	5,440
Amortization of intangible assets	520	---	1,313	---
Amortization of deferred financing charges	22	---	57	---
Change in fair value of debt	438	---	773	---
Gain on disposal of capital assets	(3)	(26)	(19)	(42)
Employee future benefits	47	(21)	243	186
Stock-based compensation	77	310	741	1,716
Unrealized foreign exchange loss on long-term debt	---	---	388	---
Future income taxes	1,712	(365)	1,712	(149)
Other	282	528	248	587
	12,070	6,548	41,055	33,438
CHANGES IN NON-CASH WORKING CAPITAL COMPONENTS				
Decrease (increase) in:				
Accounts receivable	20,142	15,926	4,135	8,366
Inventories	(31,495)	(13,669)	(36,996)	(21,749)
Prepaid expenses	(3,008)	(88)	(3,809)	1,106
Income taxes receivable	(1,398)	(2,113)	(2,473)	(3,855)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(3,547)	1,709	(7,757)	207
Customer deposits	2,473	---	2,473	---
Asset retirement obligations	64	15	76	(119)
	(16,769)	1,780	(44,351)	(16,044)
	(4,699)	8,328	(3,296)	17,394
CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	12,469	(3,733)	20,560	(984)
Increase (decrease) in long-term debt	1,075	(238)	46,794	13,332
Repayment of long-term debt	(1,595)	(1,287)	(10,838)	(3,722)
Proceeds from issuance of common shares	60	58	1,006	472
Non-compete payable	(318)	---	(950)	---
Dividend on common shares	(2,261)	(1,727)	(4,237)	(2,959)
	9,430	(6,927)	52,335	6,139
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES				
Increase in other assets	(329)	(797)	(337)	(284)
Business acquisition, net of cash	---	(150)	(38,220)	(17,126)
Purchase of capital assets	(4,157)	(971)	(10,392)	(6,783)
Assets held for sale	(272)	---	(272)	---
Proceeds from disposal of capital assets	27	517	182	660
	(4,731)	(1,401)	(49,039)	(23,533)
NET CHANGE IN CASH AND CASH EQUIVALENTS – DURING THE PERIOD	---	---	---	---
CASH AND CASH EQUIVALENTS – BEGINNING AND END OF THE PERIOD	---	---	---	---
SUPPLEMENTAL DISCLOSURE				
Interest paid	2,091	1,178	6,998	5,296
Income taxes paid	1,898	3,905	13,759	16,636

See accompanying Notes

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim consolidated financial statements for the twelve months ended December 31, 2008 and 2007, are unaudited and include estimates and adjustments that the Management of Stella-Jones Inc. (the "Company") consider necessary for a fair presentation of the financial position, shareholders' equity, earnings, comprehensive income and cash flows.

The interim consolidated financial statements are reported in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") on a basis consistent with those followed in the annual consolidated financial statements of the Company for the year ended December 31, 2007, except for new accounting policies that were adopted January 1, 2008, as described below. However, they do not include all disclosures required under GAAP for annual financial statements and should be read in conjunction with the Company's latest audited year-end consolidated financial statements and notes.

Certain comparative figures have been reclassified in order to comply with the basis of presentation adopted in the current year.

Principles of consolidation

The unaudited interim consolidated financial statements include the accounts of the Company, its wholly-owned Canadian subsidiaries, Guelph Utility Pole Company Ltd., I.P.B.-W.P.I. International Inc., Stella-Jones Canada Inc. (formerly Bell Pole Canada Inc.) and its wholly-owned U.S. subsidiaries, Stella-Jones U.S. Holding Corporation, Stella-Jones Corporation, The Burke-Parsons-Bowlby Corporation, and Stella-Jones U.S. Finance Corporation. The consolidated accounts of Stella-Jones Canada Inc. include the accounts of a 50% interest in Kanaka Creek Pole Company Limited, a joint venture which is accounted for under the proportionate consolidation method of accounting.

Changes in accounting policies

The CICA issued the following new accounting standards which were adopted by the Company effective January 1, 2008:

- Handbook Section 3031, "Inventories", replaces Section 3030, "Inventories". The new Section prescribes measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost, prohibits use in the future of the last in, first out (LIFO) method, and requires reversal of previous write-downs when there is a subsequent increase in the value of inventories. It also requires greater disclosure regarding inventories and cost of sales, including accounting policies, carrying values and the amount of any inventory write downs. The adoption of this new standard did not have any material impact on the consolidated financial statements. The additional disclosures required as a result of the adoption of this standard are included in Note 10.

- Handbook Section 3862, "Financial Instruments – Disclosures", describes the required disclosures for the assessment of the significance of financial instruments for the entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This Section and Section 3863, below, replace Section 3861, "Financial Instruments – Disclosure and Presentation". The additional disclosures required as a result of the adoption of this standard are included in Note 12.

- Handbook Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861. The additional disclosures required as a result of the adoption of this standard are included in Note 12.

NOTE 1 (cont'd.)

- Handbook Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance. The additional disclosures required as a result of the adoption of this standard are included in Note 13.

- Handbook Section 1400, "General Standards of Financial Statement Presentation", establishes requirements to assess and disclose the Company's ability to continue as a going concern. The adoption of this section did not have an impact on the Company's consolidated financial statements.

Impact of accounting pronouncements not yet implemented

The CICA issued the following accounting standards which will be adopted by the Company effective January 1, 2009:

- Handbook Section 3064, "Goodwill and Intangible Assets" will replace Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Section 1000, "Financial Statement Concepts" was amended according to Section 3064. This new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit oriented companies. The Company is presently assessing the impact of this new accounting standards on its consolidated financial statements.

The CICA issued the following accounting standards which will be adopted by the Company effective January 1, 2011:

- Handbook Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company is currently evaluating the impact of the adoption of this new accounting standard on its consolidated financial statements.

- Handbook Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), "Consolidated and Separate Financial Statements". Earlier adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the impact of the adoption of these new accounting standards on its consolidated financial statements.

Additionally, in February 2008, Canada's Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Company is currently evaluating the impact of adopting IFRS on its consolidated financial statements.

NOTE 2 – NET INVESTMENT HEDGE

On September 26, 2008, the Company designated a portion of its U.S. dollar denominated long-term debt as a hedge of its net investment in a self-sustaining foreign operation. For such debt designated as a hedge of the net investment in a self-sustaining foreign operation, exchange gains and losses are recognized in Accumulated Other Comprehensive Income (Loss).

NOTE 3 – BUSINESS ACQUISITION

On April 1, 2008, the Company completed the acquisition of The Burke-Parsons-Bowlby Corporation ("BPB") through a merger of BPB with a wholly-owned U.S. subsidiary of the Company. BPB produces pressure treated wood products, primarily for the railway industry. This acquisition included five treating plants located in DuBois, Pennsylvania; Goshen, Virginia; Spencer, West Virginia; and Stanton and Fulton, Kentucky.

Total consideration for the acquisition was approximately $44.0 million (US$43.0 million), including estimated acquisition costs of approximately $1.1 million (US$1.1 million), and cash on hand of $0.1 million (US$0.1 million). This amount includes $33.7 million (US$33.0 million) paid to BPB shareholders through the conversion of each outstanding share of common stock of BPB into the right to receive US$47.78 per share in cash, $3.5 million (US$3.4 million) representing an additional payment equal to BPB's audited net income for its fiscal year ended March 31, 2008, less any distributions to shareholders during that period and other post-closing adjustments, as well as an additional discounted amount of $5.8 million (US$5.7 million) guaranteed by a letter of credit payable in equal quarterly instalments over a six-year period with respect to non-compete agreements entered into with certain former BPB executives.

The acquisition has been accounted for using the purchase method and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on Management's estimate of their fair value as of the acquisition date. During the fourth quarter, the Company adjusted the carrying value of certain assets as well as goodwill, intangible assets and future income taxes. The results of operations of BPB have been included in the Company's interim consolidated financial statements from the acquisition date.

The following is a final summary of the net assets acquired at fair values as of the acquisition date:

(in thousands of dollars)	**($)**
Assets acquired	
Non cash working capital	41,600
Capital assets	24,432
Cash surrender value of life insurance	325
Customer relationships	4,475
Non-compete agreements	5,814
Non-deductible goodwill	5,340
Future income tax assets	1,283
	83,269
Liabilities assumed	
Notes payable to banks	(14,007)
Accounts payable and accrued liabilities	(6,858)
Long-term debt	(9,206)
Interest-bearing employee deposits	(2,134)
Future income tax liabilities	(7,030)
Total consideration	44,034
Consideration	
Cash, financed by debt	33,716
Purchase price adjustment paid in cash	3,478
Non-compete agreements payable	5,814
Cash on hand	(97)
Acquisition costs	1,123
Total consideration	44,034

The BPB acquisition was financed through additional borrowings of approximately $40.9 million (US$40.0 million), including the issuance of a $25.5 million (US$25.0 million) unsecured and nonconvertible debenture to the *Fonds de solidarité des travailleurs du Québec (F.T.Q.)*, a $10.2 million (US$10.0 million) revolving term loan from a Canadian bank and a draw-down on an existing operating margin of $5.1 million (US$5.0 million). Details of the financing are available in Note 7 on Bank Indebtedness and Note 8 on Long-Term Debt.

NOTE 4 – GOODWILL

The Company has recognized goodwill as part of the purchase price allocation of the BPB acquisition. Goodwill corresponds to the excess of the purchase price paid after allocation of the fair value for the assets acquired and the liabilities assumed. Goodwill is not amortized and will be subject to an annual impairment test, or more frequently if events or changes in circumstances indicate that it might be impaired. Testing for impairment is accomplished mainly by determining whether the fair value of a reporting unit, based on discounted estimated cash flows, exceeds the net carrying amount of that reporting unit as of the assessment date. If the fair value is greater than the net carrying amount, no impairment is necessary. In the event that the net carrying amount exceeds the sum of the discounted estimated cash flows, a second test must be performed whereby the fair value of the reporting unit's goodwill must be estimated to determine if it is less than its net carrying amount. Fair value of goodwill is estimated in the same way as goodwill was determined at the date of the acquisition, that is, the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit.

NOTE 5 – INTANGIBLE ASSETS

The Company has recognized intangible assets as part of the purchase price allocation of the BPB acquisition. The acquisition cost of intangible assets, which consist of customer relationships and non-compete agreements, is initially evaluated at fair value which subsequently becomes the cost. The presentation in the interim consolidated balance sheets is at cost less accumulated amortization and the related amortization expense is included in amortization in the consolidated statements of earnings.

Customer relationships are comprised of long-term agreements with certain customers and ongoing business relationships. The acquisition cost was established based on future benefits associated to these relationships. Intangible assets associated to long-term customer agreements are amortized over the term of the agreements which are between three to five years. Intangible assets associated to ongoing business relationships are amortized over ten years.

Certain former BPB executives entered into non-compete agreements with the Company. The acquisition cost was established based on the discounted value of future payments using a discount rate of 10.2%. For cash flow purposes, this has been treated as a non-cash transaction. The intangible asset associated to the non-compete agreements is amortized on a straight line basis over the term of the agreements, which are six years.

For the three-month period ended December 31, 2008, the amortization expense for customer relationships and the non-compete agreements was $239,834 and $280,474 respectively. For the twelve-month period ended December 31, 2008, the amortization expense for customer relationships and the non-compete agreements was $550,668 and $762,732 respectively.

NOTE 6 – OTHER ASSETS

(in thousands of dollars)	**Dec. 31, 2008**	**Dec. 31, 2007**
	($)	**($)**
Advances against third party cutting rights	322	202
Notes receivable	277	360
Accrued benefit asset	1,086	782
Assets held for sale	1,633	---
Others	25	---
	3,343	1,344

NOTE 6 – (cont'd.)

Included in assets held for sale is an office building and underlying land that were acquired from BPB. They were recorded at a fair value of $606,663. These assets are considered redundant as a new office has been constructed on newly acquired land. The Company has also decided to sell a building and its underlying land located in Christina Lake, British Columbia. The net book value of these assets is $671,629.

NOTE 7 – BANK INDEBTEDNESS

(in thousands of dollars)	**Dec. 31, 2008**	**Dec. 31, 2007**
	($)	**($)**
Demand operating loan arranged with a Canadian bank (Note 7 (a) and 13)	32,302	21,494
Demand operating loan arranged with a U.S. bank (Note 7 (b) and 13)	46,166	14,817
Proportionate share of Kanaka Creek Pole Company Limited demand operating loan (Note 7 (c))	3,092	2,715
Total bank indebtedness	81,560	39,026

(a) The Company has available a credit facility arranged with a Canadian bank, renewable annually, comprised of a maximum demand operating loan of $50,000,000 (December 31, 2007 - $50,000,000) of which $10,899,718 was available as at December 31, 2008. The credit facility also includes a term loan facility of $6,900,000, a bid and performance bond guarantee facility of up to a maximum of $5,000,000, a $5,027,706 capital lease facility, a demand revolving line of credit in the amount of $5,963,000 for the purchase of foreign exchange forward contracts with an aggregate nominal value of $25,100,000, and an interest rate swap facility for up to the full amount outstanding under the term loans. On January 5, 2009, the demand revolving line of credit for the purchase of foreign exchange forward contracts was increased to $12,024,000, with the aggregate nominal value of the foreign exchange forward contracts increasing to $34,000,000.

The interest rate on the operating loan was at the bank's prime rate for Canadian dollar advances, increasing to the bank's prime rate plus 0.25% on January 1, 2009 and thereafter, at bankers' acceptance ("BA") rates plus a stamping fee of 1.05% per annum for Canadian BA advances, increasing to a stamping fee of 1.50% as at January 1, 2009 and thereafter. For U.S. dollar advances, the interest rate was at the bank's U.S. base rate which has become the bank's U.S. base rate plus 0.25% on January 1, 2009 or LIBOR plus 1.50%. As collateral, the bank holds moveable hypothecs and general security agreements over the universality of the Company's Canadian assets, creating a first charge over all of its Canadian current assets of $142,506,329 as at December 31, 2008 and a second ranking charge over all of the Canadian capital assets of $53,089,202 as at December 31, 2008, subject to prior loans approved by the Canadian bankers. The bank also holds a first ranking security under Section 427 of the *Bank Act* over the Company's Canadian inventories.

(b) Stella-Jones U.S. Holding Corporation, Stella-Jones Corporation and The Burke-Parsons-Bowlby Corporation (collectively, "the U.S. subsidiaries") have available a credit facility arranged with a U.S. bank, renewable annually, comprised of a maximum demand operating loan of US$45,000,000 (December 31, 2007 – US$20,000,000) of which US$7,097,434 was available as at December 31, 2008. On April 1, 2008, the demand operating loan was increased to US$40,000,000 and subsequently on December 9, 2008, it was increased to US$45,000,000 to ensure that the Company had sufficient credit facilities to support the additional working capital arising from the BPB acquisition. The operating line of credit bears interest at the bank's prime rate minus 0.50% or LIBOR plus 1.50%.

NOTE 7 – (cont'd.)

As collateral for the U.S. demand operating loan, the U.S. bank holds a first security interest on all non-real estate assets of the U.S. subsidiaries (except for certain equipment) having a net book value of US$120,045,756 as at December 31, 2008. The bank also has a second security interest on certain equipment of the U.S. subsidiaries having a net book value of US$35,047,024 as at December 31, 2008. There is no recourse to the Canadian parent company in the event of default by the U.S. subsidiaries. The Canadian parent company has signed an inventory repurchase agreement with the U.S. bank whereby the parent company has agreed to purchase any or all inventory of the U.S. subsidiaries, at book value, upon an event of default by the U.S. subsidiaries if requested by the U.S. bank.

(c) The Company includes in its consolidated interim financial statements its 50% proportionate share of Kanaka Creek Pole Company Limited, which has a credit facility with a Canadian bank comprised of a $7,000,000 demand operating loan. The demand operating loan bears interest at the bank's prime rate plus 0.25%, the bank's U.S. base rate plus 0.25%, LIBOR plus 1.1375% or bankers' acceptances plus 1.1375%. One half of the indebtedness, up to a maximum of $5,000,000, has been guaranteed by Stella-Jones Canada Inc. and the Company. The Company has also provided an Environmental Indemnity Agreement to the bank with respect to the Maple Ridge property, the site of Kanaka Creek Pole Company Limited's operations, with liability limited to one half of the monies which become due and owing to the bank under such indemnity.

NOTE 8 – LONG-TERM DEBT (Note 13)

(in thousands of dollars)	**Dec. 31, 2008 ($)**	**Dec. 31, 2007 ($)**
Long-term debt		
Term loans with a Canadian bank (Note 8 (a))	3,654	4,768
Revolving term loan with a Canadian bank (Note 8 (b))	23,768	11,588
Term loans with a U.S. bank (Note 8 (c))	11,572	3,886
Unsecured and non-convertible debenture (Note 8 (d))	10,000	10,000
Unsecured and non-convertible debenture (Note 8 (e))	4,000	4,333
Unsecured and non-convertible debenture (Note 8 (f))	30,450	---
Promissory note (Note 8 (g))	913	743
Promissory note (Note 8 (h))	1,053	992
Subordinated note (Note 8 (i))	8,323	6,981
Bond (Note 8 (j))	5,728	---
Promissory note (Note 8 (k))	508	---
Promissory note (Note 8 (l))	447	---
Mortgage loans (Note 8 (m))	4,317	3,930
Obligations under capital leases (Note 8 (n))	1,609	223
	106,342	47,444
Deferred financing charges	(583)	---
	105,759	47,444
Less: current portion of long-term debt	4,982	4,409
Less: current portion of deferred financing charges	(68)	---
Long-term debt	100,845	43,035

NOTE 8 – (cont'd.)

(a) The Company has available three term loans of $2,300,000, $2,700,000 and $1,900,000 arranged with a Canadian bank.

Amounts owing under the $2,300,000 term loan are repayable in 19 equal consecutive principal repayments of $82,143 on each three-month anniversary of the date upon which the initial advance was made (December 28, 2005), and a balloon repayment of $739,283 constituting the twentieth and final payment of the residual capital balance on December 28, 2010. Subsequent to an interest rate swap agreement, the loan bears interest at a fixed rate of 5.81% over its term.

Amounts owing under the $2,700,000 term loan are repayable in 19 equal consecutive principal repayments of $96,429 on each three-month anniversary of the date upon which the initial advance was made (February 1, 2006), and a balloon repayment of $867,849 constituting the twentieth and final payment of the residual capital balance on February 1, 2011. Subsequent to an interest rate swap agreement, the loan bears interest at a fixed rate of 5.85% over its term.

Amounts owing under the $1,900,000 term loan are repayable in 19 equal consecutive principal repayments of $100,000 on each three-month anniversary of the date upon which the initial advance was made (December 19, 2005) and shall, in any event, be repaid in full by September 30, 2010. The loan bears interest at a fixed rate of 5.93% over its term.

(b) As part of the financing for the BPB acquisition, the Company entered into a new two-year revolving term loan with a Canadian bank comprised of a Canadian dollar loan of $11,587,500 and a new U.S. dollar loan of US$10,000,000 as well as an amount not exceeding US$5,000,000 to purchase foreign currency exchange contracts. The new revolving term loan facility matures February 16, 2010. The US$10,000,000 term loan was designated as a hedge of net investment in a self-sustaining foreign operation. (2007 - a two-year revolving term loan comprised of a Canadian dollar loan of $11,587,500 and an amount not exceeding US$5,000,000 to purchase foreign exchange forward contracts. This revolving term loan facility was to have matured February 28, 2009).

For loans in Canadian dollars, the credit facility bears interest at the bank's prime rate plus 0.25% or bankers' acceptance rate plus 1.40% and for loans in U.S. dollars, the credit facility bears interest at the bank's U.S. base rate plus 0.25% or LIBOR plus 1.40%. Previously the revolving term loan did not offer financing conditions for U.S. dollar loans. As collateral, the bank holds moveable hypothecs and general security agreements creating a first charge over all of the Company's Canadian capital assets of $53,089,202 as at December 31, 2008 and a second ranking charge over all of the Canadian current assets of $142,506,329 as at December 31, 2008. Amounts owing under the revolving term loan are payable at maturity which can be extended each year for one additional year upon the Company's request and subject to the bank's approval. Starting January 2008, the credit facility will be increased by the equivalent amount of the capital payments of the term facilities provided by the credit facility in Note 8 (a) to a maximum of $27,500,000 as at January 2011.

(c) As part of the financing of the BPB acquisition, the U.S. subsidiaries entered into a US$10,000,000 term loan agreement with a U.S. bank. A portion of the proceeds of the loan were used to repay existing term loans in Stella-Jones Corporation of US$1,100,000 and US$4,000,000 with the balance applied against outstanding bank indebtedness in the U.S. subsidiaries. The new term loan is repayable in 84 consecutive monthly instalments of US$119,048. The loan is subject to two interest rate swaps of US$5,000,000 each, fixing the rate at 5.80% and 5.54 % respectively over the term of the loan.

As collateral, the bank has a first priority security interest on certain equipment in the U.S. subsidiaries, having a net book value of US$35,047,024 as at December 31, 2008. The bank also has a second priority security interest on the accounts receivable and inventories of the U.S. subsidiaries having a book value of US$98,293,058 as at December 31, 2008.

(d) Unsecured and non-convertible debenture bearing interest at 7.72%, repayable in five consecutive annual principal repayments of $1,000,000 beginning July 1, 2011 and a last payment of $5,000,000 on July 1, 2016.

NOTE 8 – (cont'd.)

(e) Unsecured and non-convertible debenture bearing interest at 7.0%, repayable after December 31, 2006 in five consecutive annual principal repayments of $333,333 and a last payment of $3,000,000 on December 21, 2012.

(f) Unsecured and non-convertible debenture bearing interest at 7.89%, repayable in five consecutive annual principal repayments of US$2,500,000 starting on April 1, 2013 and a last payment of US$12,500,000 on April 1, 2018. This loan was arranged as part of the financing of the BPB acquisition. This debenture was designated as a hedge of net investment in a self-sustaining foreign operation.

(g) Stella-Jones Corporation borrowed US$750,000 from the Company's majority shareholder, Stella Jones International S.A., by way of a subordinated promissory note. The note is for a term of six years, bears interest at LIBOR plus 4.5% and is repayable in full on the 6th annual anniversary of the date of disbursement or August 3, 2011. The note is unsecured and subordinated in right of payment to the prior payment in full of the U.S. subsidiaries loans to all of its secured lenders.

(h) As part of a previous acquisition, Stella-Jones Corporation assumed an unsecured promissory note payable. The imputed interest rate of the note is 8.0%. The note is payable in quarterly instalments of US$52,891 including interest and matures on October 1, 2013.

(i) Pursuant to the business acquisition of February 28, 2007, Stella-Jones Corporation issued a note payable to J.H. Baxter & Co. The note is subordinated to existing lenders and bears interest at 5.0%. The note is repayable in five annual principal repayments of US$500,000 with a final payment of US$5,500,000 on the 6th anniversary date. The note was initially recorded at a fair value of $6,981,288 using an interest rate of 8.0%. The difference between the face value and the fair value of the note is being accreted on an effective yield basis over its term.

(j) Pursuant to the BPB acquisition, the U.S. subsidiaries assumed a bond issue in favour of the County of Fulton, Kentucky (The Burke-Parsons-Bowlby Project), series 2006, repayable in annual principal repayments of US$200,000 starting on July 2008 through July 2011, US$300,000 starting July 2012 through July 2019 and US$400,000 starting July 2020 through July 2026. The bond bears interest at a variable rate based on the SIFMA Municipal Swap Index. The rate as at December 31, 2008 was 1.60% (March 31, 2008 – 2.38%). The bond is secured by substantially all assets of BPB's Fulton facility which have a net book value of US$7,431,022 as at December 31, 2008. The bond was initially recorded in the interim consolidated financial statements at a fair value of US$4,835,379 using an interest rate of 6.50%. The difference between the face value and the fair value of the bond is being accreted on an effective yield basis over its term.

In order to provide the security for the timely payment of the principal and interest due on the bond, the U.S. subsidiaries entered into a US$ 5,866,740 irrevocable letter of credit with the bank that is also the trustee for the Series 2006 Bond Indenture, at an annual fee of 1.0% of the outstanding loan balance. The letter of credit expires on August 15, 2009.

(k) Pursuant to the BPB acquisition, the U.S. subsidiaries assumed a promissory note payable to Hickman-Fulton Rural Electric Cooperative Corporation, bearing interest at a fixed rate of 3.0% and repayable in 84 equal monthly instalments of principal and interest of approximately US$6,604 starting January 15, 2008. The note is secured by a US$500,000 irrevocable letter of credit issued by a regional financial institution and expires December 17, 2017. The note was initially recorded in the interim consolidated financial statements at a fair value of US$462,344 using an interest rate of 5.55%. The difference between the face value and the fair value of the note is being accreted on an effective yield basis over its term.

(l) Pursuant to the BPB acquisition, the U.S. subsidiaries assumed a promissory note payable to Hickman-Fulton Rural Electric Cooperative Corporation, bearing no interest and repayable in 108 equal monthly instalments of US$4,167 starting January 1, 2009. The note is secured by a US$450,000 irrevocable letter of credit issued by a regional financial institution and expiring December 18, 2017. The note was initially recorded in the interim consolidated financial statements at a fair value of US$354,217 using an interest rate of 6.0%. The difference between the face value and the fair value of the note is being accreted on an effective yield basis over its term.

NOTE 8 – (cont'd.)

(m) The mortgage loans bear interest at a weighted average rate of 6.3% as at December 31, 2008 (December 31, 2007 – 7.2%) and certain specific capital assets with a net book value of $5,638,867 (December 31, 2007 - $6,880,152) have been pledged as collateral. The mortgage loans include loans denominated in U.S. dollars amounting to US$3,407,858 (December 31, 2007 – US$2,970,328). The loans are repayable in monthly installments of $95,705 including interest and mature at various dates to January 2018.

(n) The repayment requirements on the long-term debt during the next five years and thereafter are as follows:

(in thousands of dollars)	**Obligations under capital leases**			**Long-term debt**	**Total**
Years	**Minimum Payments ($)**	**Interest ($)**	**Principal ($)**	**Principal ($)**	**Principal Repayments ($)**
2009	189	78	111	5,199	5,310
2010	233	70	163	5,764	5,927
2011	111	63	48	7,058	7,106
2012	111	61	50	7,649	7,699
2013	272	49	223	13,507	13,730
Thereafter	1,105	91	1,014	67,826	68,840
	2,021	412	1,609	107,003	108,612
Fair value adjustment	---	---	---	(2,270)	(2,270)
	2,021	412	1,609	104,733	106,342

(o) The aggregate fair value of the Company's long-term debt was estimated at $109,660,000 as at December 31, 2008 (2007 - $49,500,000) based on discounted future cash flows, using interest rates available to the Company for issues with similar terms and average maturities.

NOTE 9 – EARNINGS PER SHARE

The following table provides the reconciliation between net earnings per common share and diluted net earnings per common share for the three-month and twelve-month periods ended December 31:

	three months ended Dec. 31, 2008	**2007**	**twelve months ended Dec. 31, 2008**	**2007**
Net earnings applicable to common shares*	6,327	4,440	28,547	25,700
Weighted average number of common shares outstanding*	12,562	12,340	12,483	12,324
Effect of dilutive stock options*	87	371	212	366
Weighted average number of diluted common shares outstanding*	12,649	12,711	12,695	12,690
Net earnings per common share	0.50	0.36	2.29	2.09
Diluted net earnings per common share	0.50	0.35	2.25	2.03

* *Net earnings are presented in thousands of dollars and share information is presented in thousands.*

NOTE 10 – COST OF SALES

For the three-month periods ending December 31, 2008 and 2007, cost of sales includes an inventory cost of $57,215,336 and $31,566,823 respectively. For the twelve-month periods ending December 31, 2008 and 2007, cost of sales includes an inventory cost of $268,997,581 and $180,890,691 respectively.

NOTE 11 – EMPLOYEE FUTURE BENEFITS

The recognized cost for employee future benefits was as follows:

(in thousands of dollars)	three months ended Dec. 31, 2008 ($)	2007 ($)	twelve months ended Dec. 31, 2008 ($)	2007 ($)
Post retirement benefit program	58	42	256	231
Defined benefit pension plans	13	34	136	130
Contributions to multi-employer plans	86	53	322	244
Contributions to group retirement savings plans	263	153	1,145	647

NOTE 12 – FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company has adopted the requirements of CICA Handbook Section 3862, "Financial Instruments – Disclosures". This section requires disclosures to enable the users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

This note provides disclosures about financial instruments, fair values, as well as credit, liquidity and market risks associated with financial instruments.

Financial instruments, carrying values and fair values

The Company has determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying amounts as at the balance sheet dates because of the short-term maturity of those instruments. The fair values of the long-term receivables and interest-bearing financial liabilities also approximate their respective carrying amounts. The fair value of forward foreign exchange forward contracts and swap agreements has been recorded using mark to market information as supplied by a financial institution.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management believes that the credit risk of accounts receivable is limited due to the following reasons:

- Geographically, there is no concentration of credit risk.
- The Company deals primarily with utility and telecommunication companies, and other major corporations.

The following table summarized the age of trade receivables as at December 31:

(in thousand of dollars)	2008 $	2007 $
Past due since less than 30 days	23,374	13,106
Past due 31 to 60 days	10,204	8,663
Past due 61 to 90 days	4,457	2,665
Past due more than 90 days	2,278	1,116
Total accounts receivable	40,313	25,550
Allowance for doubtfull accounts	(244)	(229)
	40,069	25,321

NOTE 12 – (cont'd.)

Management has established a credit policy under which each new customers are analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and credit references from other suppliers. Purchase limits are established for each customer, which represent the maximum open amount requiring additional approval from Management. A monthly review of the accounts receivable aging is performed by Management for each selling location. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis. As at December 31, details of the allowance for doubtful accounts are as follows:

(in thousands of dollars)	**three months ended Dec. 31,**		**twelve months ended Dec. 31,**	
	2008	**2007**	**2008**	**2007**
	($)	**($)**	**($)**	**($)**
Balance – beginning of period	425	109	229	33
Provision	190	107	458	229
Bad debt write off	(397)	-	(480)	(27)
Foreign exchange adjustment	26	13	37	(6)
Balance – end of period	244	229	244	229

In 2008, the Company had one customer representing 19% of its sales (2007 – 15%). As at December 31, 2008, the accounts receivable balance from this customer was $6,103,420 (2007 - $3,637,533).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring losses or risking damage to its Company's reputation.

The Company ensures that it has sufficient credit facilities to support working capital, meet expected operational expenses and service financial obligations. Inventories are a significant component of working capital because of the long periods required to air season wood, which can occasionally exceed nine months before a sale is made. Details regarding the Company's operating lines of credit can be found in Note 7.

The Company monitors all financial liabilities and ensures it will have sufficient liquidity to meet these future payments. Bank indebtedness consists of demand operating facilities that are subject to periodic review by the Company's bankers at intervals of no greater than one year. In December 2008, the Company's banker for the U.S. operating line amended its credit facilities and approved an increase to its demand operating line to US$ 45,000,000, from US$ 40,000,000. Subsequent to year-end, the Company's Canadian bankers amended the interest rate structure, with no change in the amount available of the operating facility and approved an increase to the credit availability for the purchase of foreign exchange forward contracts. The following table details the maturities of the financial liabilities as at December 31, 2008:

NOTE 12 – (cont'd.)

(in thousands of dollars)	Less than 1 year ($)	1 – 3 years ($)	4 – 5 years ($)	After 5 years ($)	Total ($)
Bank indebtedness	81,560	---	---	---	81,560
Accounts payable and accrued liabilities	28,694	---	---	---	28,694
Long-term debt obligations	5,199	12,822	21,156	67,829	107,003
Interest on long-term debt obligations	6,150	11,534	9,721	9,937	37,342
Capital lease obligations	189	344	383	1,105	2,021
Interest on capital lease obligation	78	133	110	91	412
Foreign exchange forward contracts					
Outflow	5,319	3,234	---	---	8,553
Inflow	(5,603)	(3,410)	---	---	(9,013)
Non-compete agreements	1,523	3,046	3,046	381	7,996
Total	123,109	27,703	34,416	79,340	264,568

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

The Company's exposure to foreign exchange gains or losses from currency fluctuations is related to its sales and purchases in U.S. dollars by its Canadian-based operations and to its U.S. dollar denominated long-term debt held by its Canadian companies. The Company monitors its transactions in U.S. dollars generated by Canadian-based operations. Its basic hedging activity consists of entering into foreign exchange forward contracts for the sale of U.S. dollars and purchasing certain goods and services in U.S. dollars. The Company will also consider foreign exchange forward contracts for the purchase of U.S. dollars for significant purchases of goods and services that are not covered by natural hedges.

The following table summarizes the Company's derivative financial instruments relating to the sale of foreign currencies through forward foreign exchange contracts as at December 31, 2008:

(in thousands of dollars) **Foreign Exchange Forward Contracts**		Notional Amount $US	Average Exchange Rate	Notional Equivalent $CDN	Fair Value $CDN
Short-term asset	Sell $US/Buy $CDN	10,000	1.2538	12,538	381
Long-term asset	Sell $US/Buy $CDN	10,000	1.2433	12,433	347
Short-term liability	Sell $US/Buy $CDN	4,600	1.1563	5,319	(266)
Long-term liability	Sell $US/Buy $CDN	2,800	1.1550	3,234	(144)
		27,400	1.2235	33,524	318

The contracts mature at various dates up to December 31, 2010.

A 10% strengthening of the U.S. dollar against the Canadian dollar would have decreased the net gain on foreign exchange forward contracts recognized in Other Comprehensive Income by approximately $31,878 as at December 31, 2008. For a 10% weakening of the U.S. dollar against the Canadian dollar, there would be an equal and opposite impact on the gain.

The following table provides information on the impact of a 10% strengthening of the U.S. dollar against the Canadian dollar on net earnings and comprehensive income for the three and twelve-month periods ended December

31, 2008. For a 10% weakening of the U.S. dollar against the Canadian dollar, there would be an equal and opposite impact on net earnings and comprehensive income.

(in thousands of dollars)	**three months ended Dec. 31, 2008 $**	**twelve months ended Dec. 31, 2008 $**
(Loss) gain to net earnings	(369)	560
(Loss) gain to other comprehensive income	(401)	528

This analysis considers the foreign exchange variance impact on assets and liabilities denominated in U.S. dollars which are on the balance sheet of the Canadian entities:

(in thousands of dollars)	**2008 $**
Assets:	
Accounts receivable	2,037
Foreign exchange forward contracts	728
	2,765
Liabilities:	
Accounts payable and accrued liabilities	2,884
Foreign exchange forward contracts	410
	3,294

The foreign exchange impact for the US dollar denominated long-term debt, in the Canadian entities, has been excluded from the sensitivity analysis for other comprehensive income, as they are designated as a hedge against the investment in the self-sustaining US subsidiaries.

Interest rate risk

As at December 31, 2008, the Company had limited exposure to interest rate risk on long-term debt as after giving effect to its interest rate swaps, 92.7% of the Company's long-term debt is at a fixed rate.

The Company enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its short-term and long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate hedge agreements as cash flow hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

Bank indebtedness is comprised of demand operating loans as defined in Note 7. The financing of these loans is tied to the Canadian bank's prime rate, the U.S. bank's base rate or LIBOR. The impact of a 10% increase of these rates on the average annual balance of the bank indebtedness would have increased the interest expense by $247,166 for the year ended December 31, 2008. For the three-month period ended December 31, 2008, the interest expense would have been $65,035.

The following table summarizes the Company's interest rate swap agreements as at December 31, 2008:

(in thousands of dollars)	**Notional Amount ($)**	**Fixed Rate Paid %**	**Maturing Date**	**Notional Equivalent $CDN**
Interest rate swap - CDN	2,300	5.81	Dec. 2010	2,300
Interest rate swap - CDN	2,700	5.85	Feb. 2011	2,700
Interest rate swap - US	5,000	5.80	July 2015	6,090
Interest rate swap – US	5,000	5.54	July 2015	6,090
Interest rate swap – US	1,000	4.69	Dec. 2015	1,218

NOTE 12 – (cont'd.)

The fair value of the interest rate swap agreements based on cash settlement requirements as of December 31, 2008 is a loss of $1,159,153 (2007 – gain of $16,643) which is recorded in the Long-Term Liabilities under derivative financial instruments. A 10% decrease in interest rates as at December 31, 2008 would have approximately increased the loss by $115,915. For a 10% increase in the interest rates, there would be an equal and opposite impact on the loss.

NOTE 13 – CAPITAL DISCLOSURES

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or acquire or sell assets to improve its financial performance and flexibility.

The Company's capital is composed of long-term debt and shareholders' equity which includes capital stock.

(in thousands of dollars, except ratios)	**December 31, 2008 ($)**	**December 31, 2007 ($)**
Long-term debt, including current portion	105,759	47,444
Shareholders' equity	161,112	127,757
Total capital	266,871	175,201
Long-term debt to equity ratio	0.66:1	0.37:1

The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion as well as acquisitions. The Company currently funds these requirements out of its internally-generated cash flows and operating lines of credit. However, future corporate acquisitions may require new sources of financing.

The primary measure used by the Company to monitor its financial leverage is the long-term debt to equity ratio, which it aims to maintain within a range of 0.30:1 to 0.75:1. The long-term debt to equity ratio is defined as long-term debt including the current portion divided by shareholders' equity. As at December 31, 2008 the long-term debt to equity ratio was 0.66:1.

The Company is subject to certain covenants on its bank indebtedness and on certain long-term debt. The covenants include a working capital ratio, debt to tangible net worth ratio, a minimum fixed charge coverage ratio and a minimum requirement for earnings before interest, taxes and amortization. The Company monitors the ratios on a monthly basis. The ratios are also reviewed by the Company's Audit Committee and Board of Directors on a quarterly basis. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements.

NOTE 14 – SEASONALITY

The Company's operations follow a seasonal pattern, with pole, tie and industrial lumber shipments strongest in the second and third quarters to provide industrial end users with product for their summer maintenance projects. Consumer lumber treatment sales also follow the same seasonal pattern. Inventory levels of railway ties and utility poles are typically highest in the first quarter in advance of the summer shipping season. The first and fourth quarters usually generate similar sales.

NOTE 15 – SEGMENT INFORMATION

The Company operates within one dominant business segment, the production and sale of pressure treated wood.

NOTE 16 – COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to comply with the basis of presentation adopted in the current year.