THE CALDWELL PARTNERS INTERNATIONAL

CALDWELL

2008 ANNUAL REPORT

The Caldwell Partners International Inc.

Company Profile

The first and largest executive search firm in Canada, The Caldwell Partners is unmatched in breadth and depth of experience. For over 35 years, we have helped clients achieve greater profitability and performance by identifying and attracting talent of the highest calibre - leaders, directors and senior executives whose strengths exceed our clients' expectations.

Above all, we are problem solvers. We establish loyal partnerships with our corporate clients, helping them attract exceptional talent. We act as trusted stewards, offering our clients decision support services to assist them in solving their strategic, organizational, and compensation problems. Through Caldwell Interim Executives, we are able to provide our clients with proven senior managers, functional specialists and top executives to fill short-term management roles on a contract basis.

We judge our success by a simple standard: our ability to deliver superior results through our commitment to help clients and candidates achieve their personal and organizational goals. We assess, evaluate, and attract executives, putting all the firm's resources – fresh insight, intuitive skills, experience, and knowledge – at the client's disposal. Simply, we deliver the best-qualified candidates in the shortest possible time.

Our professional search teams serve clients from coast to coast – through our offices in Montréal, Toronto, Calgary and Vancouver – as well as globally through our worldwide network.

Business Principles

1. CLIENT-FOCUSED Their interest always comes first. Our foremost goal, our consistent focus, is finding new and better ways of serving clients, by providing quality candidates faster, and always being nimble, creative, and innovative.

2. QUALITY-DRIVEN Every aspect of our service is quality driven – personalized professional attention is our proud reputation. We always strive to be the very best, rather than the biggest.

3. VALUE-DRIVEN Our raison d'être is to enhance the value of our clients' business operations. We do so by systematically identifying, evaluating, and attracting the most outstanding candidates in a manner that enhances the reputation of our clients and our profession.

4. REPUTATION-DRIVEN We listen, understand, comment, develop insight, and consult. Only then do we act. Our key assets are our people and our reputation. If we neglect or diminish either, both are extremely difficult to restore.

5. DEDICATED The dedication of our people to the organization and the intense effort we give our clients are key components of our success. Our commitment to prompt, effective completion of every assignment is proven.

6. ACCOUNTABLE The introducing partner assumes complete responsibility for the quality and results of the engagement from start to finish.

7. ETHICAL As members of the Association of Executive Search Consultants, we are bound by a code of ethics, and are dedicated to complying fully with the letter and spirit of the laws, rules, and ethical principles that govern us.

8. INNOVATIVE We stress innovation and creativity in everything we do. We have pioneered many of the practices and techniques that have become standard in the industry.

9. TEAM-ORIENTED Our approach involves continuous communication and strong internal co-operation. While individual creativity is always encouraged, we have found that team effort produces the best results.

10. DISCREET AND HONEST We regularly receive private information as part of our client and candidate relationships. All information relating to clients and individuals is treated with absolute discretion and confidentiality.

11. RESPONSIVE We are big enough to undertake the largest engagement, yet entrepreneurial enough to maintain the loyalty, intimacy, and esprit de corps that our clients value so highly.

12. SHAREHOLDER-FOCUSED Profitability is critical to achieving superior long-term returns; our goal is to provide value and healthy returns to shareholders. Significant employee stock ownership aligns the interest of our stakeholders and our shareholders.

Chairman's Letter

Dear Shareholders, Clients, and Friends

Our financial results for 2008 were somewhat mixed, but we believe may be viewed as being better than the reported numbers suggest. The company achieved a 10.7 percent gain in operating revenue – the revenue produced by our core business of executive search – to $17.2 million. All references are for the fiscal periods unless otherwise noted and all currency amounts are in Canadian dollars.

Higher Fees

This year, we conducted more senior-level executive searches, which meant higher average fees and higher revenue. Our business was fairly consistent throughout the year, with the exception of the slow second quarter. We are particularly pleased that our focus on renewing a fresh presence in Western Canada is succeeding and that it was a significant contributor to our growth during the past year.

Settlement Reached

We also recorded a 7.7 percent increase in gross operating profit, before general and administrative expenses, to $5.2 million. However, this improvement was offset by higher general and administrative expenses, including compensation, investments in growing our organization, and legal fees related to the litigation and the settlement that was reached subsequent to the year-end. This settlement included our agreement to pay up to $0.5 million of the litigants' expenses. With the litigation now settled, we anticipate that our ongoing legal costs will decrease substantially in the latter part of the fiscal year.

Earnings Down

As the result of this increase in expenses, our business produced an operating loss of $1.5 million for the year, compared with an operating profit in 2007 or $0.3 million. While this is not good, it also was not a surprise. In addition to the impact of the unusual level of legal expenses, the company had made it clear going into the year that it would incur higher costs in carrying out our strategic growth plans. Nevertheless, while we will continue to invest in carrying out our longer-term strategic plans, we intend to improve on our performance as we move forward.

Financial Strength

The Caldwell Partners continues to be financially very strong, currently holding approximately $16 million in marketable securities, cash, and equivalents, and essentially no debt. Today, $6.1 million of the company's $8.0 million in marketable securities was being managed by third-party investment managers. The balance of the securities portfolio, about $1.9 million, was almost entirely invested in preferred shares. Our remaining funds of about $8.2 million consisted of cash and cash equivalents, including government treasury bills, money market instruments, and bank deposits. No amount is affected by the liquidity issues associated with the Asset Backed Commercial Paper problems that has affected the banking community and many companies.

Investment Results

In the current economic environment, our financial strength is a position that we feel many organizations must envy. In 2008, investing our capital generated income of more than $300,000. However, reflecting the weak financial markets and the application of new accounting policies for valuing investments, that income was about half of the level recorded in 2007. In total, we reported a net loss for the year of $0.7 million, compared with a net profit in 2007 of $0.7 million.

The Company paid a quarterly cash dividend of $0.02 per Class A non-voting and Class B voting in each quarter of the first three quarters of 2008. However, in the fourth quarter, the level of retained earnings was insufficient to maintain the dividend payments and the Board determined that the payment of the quarterly dividend should be suspended.

The Management Discussion and Analysis section that follows this letter provides a detailed discussion of our financial performance.

Conversion to Single Class of Voting Shares

Subsequent to the year-end, on November 6, The Caldwell Partners announced that it will combine its voting and non-voting shares into a single class of voting shares. Voting Class B shareholders will receive 1.149 common shares for each of their Class B shares and all shares will become single-voting common shares. The conversion will take effect on November 1, 2011, following passage of an amendment to the company's Articles to be placed before the Annual General Meeting (AGM) for the Fiscal Year 2008.

Board Directors

As part of the litigation settlement, the shareholders and Mr. Caldwell will vote in support of the conversion to be proposed at the AGM. Two additional directors, to be nominated in co-operation with the three shareholders, will be appointed to the company's Board of Directors.

In addition to these appointments, the company also announced the nomination of John N. Wallace, who was appointed the company's President and Chief Executive Officer on September 11, 2008, to the company's Board, to be effective at the AGM. With these additions, the company's Board will comprise eight directors, five of whom will be independent.

We view this agreement as being consistent with the transition of our company that we have been undertaking, which included the recruitment earlier in 2008 of John Wallace as President and Chief Operating Officer, and his subsequent appointment as Chief Executive Office succeeding Doug Caldwell. Mr. Caldwell intends to remain active with the company and as its Chairman for the next several years.

We believe that this agreement will benefit all shareholders as it ends the costly and time-consuming distraction of the litigation. We now will be able again to focus all of our attention and resources on growing the business of The Caldwell Partners.

Opportunities for Growth

We are naturally concerned about the turmoil and uncertainty that has beset the capital markets and all sectors of the economy in Canada and internationally. However, we feel that The Caldwell Partners is well-positioned to deal with these conditions and to continue to invest in growing our business to meet the demand for talent.

This level of optimism with which we have begun the new year might surprise some, given the apparent global recession. We base our optimism on the fact that, in addition to our strong financial position, The Caldwell Partners has a lean, cohesive, highly experienced organization of partners and professionals that are among the best in Canada. We are appropriately sized for the current level of our business, but we also expect that we will continue to add to our team as we work to grow our business in fiscal 2009.

The Company is also benefitting from the fact that our business is diversified across many sectors of the economy and geographically and is not dependent on a handful of industries or any one or two regions. While it might take time, we believe that this economy will eventually generate increased demand for our services in meeting the need for C-level and other senior executives for all manner of private and public organizations.

We continue to focus on growing our Canadian business by achieving higher average fees for our assignments, targeting key markets, perhaps including new opportunities, maintaining continuity in our team, and making sure that everyone regards The Caldwell Partners as the best place to work in our industry.

Our growth strategies for 2009 also include plans to establish at least one and possibly two offices in the United States. This is an exciting initiative and we will provide more details as we move ahead with it. We are confident that there are considerable opportunities for a top-level, highest-quality practice, such as The Caldwell Partners, to grow profitably in key markets in the United States.

Yours sincerely,

C. Douglas Caldwell
Chair and Founder

John N. Wallace
President and Chief Executive Officer

November 21, 2008

Management Discussion and Analysis

Canada’s Largest and Only National Human Capital Services Company

The Caldwell Partners International Inc. (“The Caldwell Partners” or “the Company”), founded in 1970, is Canada’s first and most respected retained executive search firm. Today it is the only truly national human capital services company in Canada, serving clients across the country as well as internationally. The Caldwell Partners focuses, in particular, on recruiting “C-class” executives (chief executive, chief financial, chief operating and chief information officers, as well as other senior executives). The Caldwell Partners takes pride in delivering unmatched depth of service and expertise to its clients, in the calibre and experience of its staff, and in the successful completion of its engagements. The Caldwell Partners founded, and continues to promote, the prestigious national awards programs recognizing Canada’s Outstanding CEO of the Year™ and Canada’s Top 40 Under 40™, and advises and supports the Canada’s Outstanding CFO of the Year Award™ program. This year, Canada’s Outstanding CEO of the Year™ and Canada’s Top 40 Under 40™ programs are marking their respective 19th and 14th anniversaries.

Forward-Looking Statements

Forward-looking statements in this document are based on current expectations that are subject to the significant risks and uncertainties cited herein. The Caldwell Partners assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.

Presentation

The following discussions and analysis, prepared November 21, 2008, should be read in conjunction with the audited consolidated financial statements and related notes included in this Annual Report to Shareholders. The statements have been prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP). All currency amounts are provided in Canadian dollars unless otherwise noted. All references to quarters or years are for the fiscal periods unless otherwise noted. All numbers in tables (except percentages and per share amounts) are expressed in thousands unless otherwise noted.

While gross and net operating profit are non-GAAP measures, the Company believes that they provide a useful appreciation of the performance of its core human capital services operations as they exclude income or loss from investments and taxes. The summary of the most recent eight quarters is provided for each income statement category.

Operating Results

Operating Revenue

Annual operating revenues increased 11% over fiscal 2007 levels to $17,212,000, with strong first, third and fourth quarter revenues making up for a weaker showing in the second quarter. Although the fiscal 2008 fourth quarter was quite strong, revenues declined 10% over the same period in fiscal 2007. Unusually high business bookings over the summer of 2007 resulted in very strong fourth quarter revenues in the previous year.

2007				**2008**			
Q1	Q2	Q3	**Q4**	Q1	Q2	Q3	**Q4**
$ 3,109	$ 3,846	$ 3,568	**$ 5,021**	$ 4,553	$ 3,493	$ 4,635	**$ 4,531**

Direct Cost of Revenue

Direct costs associated with the generation of revenue, being both variable and fixed compensation costs of employees involved in search activities, print advertising, interim candidate costs, and reimbursable expenses, decreased 9% to $3,123,000 in the fiscal 2008 fourth quarter versus $3,423,000 in the comparative quarter of fiscal 2007. This decrease is largely the result of lower variable partner compensation costs, which have decreased in step with the 10% decline in operating revenues this quarter over the comparable period a year earlier.

Year-to-date, direct search costs have increased 12% or $1,256,000 to $12,001,000. A large portion of this is directly attributable to the increase in variable partner compensation costs arising from the 11% increase in operating revenues for the period. As well, the Company has and continues to make investments in partners and other professional staff as part of its strategic plan to increase revenues and profitability. The costs associated with these investments began in the last half of fiscal 2007 and continue in fiscal 2008.

2007				**2008**			
Q1	Q2	Q3	**Q4**	Q1	Q2	Q3	**Q4**
$ 2,276	$ 2,403	$ 2,602	**$ 3,423**	$ 3,193	$ 2,635	$ 3,049	**$ 3,123**

Gross Operating Profit and Margin

Gross operating margin (operating revenue less direct costs) in the fourth quarter of fiscal 2008 decreased to $1,409,000 from $1,598,000 in the same period last year as a result of lower revenues. As a percentage of operating revenues, operating margins have decreased slightly from 32% in the fourth quarter of last year to 31% this past quarter. For the year, fiscal 2008 gross operating profit is $5,212,000 or 30% of operating revenues, versus $4,840,000 or 31% last year.

2007				**2008**			
Q1	Q2	Q3	**Q4**	Q1	Q2	Q3	**Q4**
$ 833	$ 1,443	$ 966	**$ 1,598**	$ 1,359	$ 858	$ 1,586	**$ 1,409**
27%	38%	27%	**32%**	30%	25%	34%	**31%**

General and Administrative Expenses

Fiscal 2008 fourth quarter general and administrative expenses were $2,547,000 as compared to $994,000 in the fourth quarter of last year. This year-over-year variance is primarily the result of increases in legal costs, management compensation, and facilities expense. Fiscal 2008 fourth quarter legal fees were $829,000, versus $42,000 in the comparable period last year. With the addition of a new President and Chief Operating Officer mid-year, management salary costs increased; as well, the fourth quarters include accruals for management bonuses where no accrual existed in the comparable period last year.

Annually, fiscal 2008 general and administrative expenses total $6,742,000, up from fiscal 2007 expenses of $4,522,000. Again, higher legal costs, management compensation costs and facilities expense have primarily contributed to this increase. Annual legal costs total $1,467,000 versus $585,000 in fiscal 2007, the majority of which in the current year relate to defense and settlement of the claim made by minority shareholders. Subsequent to year-end, on November 6, 2008, the Company entered into Heads of Agreement, setting out terms upon which this lawsuit would be dismissed (see note 11 to the annual consolidated financial statements). Terms included the Company's reimbursement of the minority shareholders' legal costs to a maximum of $500,000. This amount was fully accrued in the Company's accounts in the last quarter of fiscal 2008 and is included in the total legal fees noted above.

The Company has submitted a claim on its Directors and Office insurance policy for coverage of some of its legal costs incurred to date and anticipates being reimubursed by its insurer for a portion of these costs. However, the recovery of these costs has not been reflected in the Company's accounts as reimbursement of these costs has not yet been received.

2007				**2008**			
Q1	Q2	Q3	**Q4**	Q1	Q2	Q3	**Q4**
$ 1,070	$ 1,155	$ 1,303	**$ 994**	$ 1,178	$ 1,516	$ 1,501	**$ 2,547**

Net Operating Profit

Fourth quarter net operating profit declined from $604,000 last year to a loss of $1,138,000 this year. On a year-to-date basis, the operating loss of $1,531,000 compares to an operating profit of $318,000 in fiscal 2007.

Profitability will remain strained as the Company continues to execute its strategic growth plan. Profit margins will be impacted as higher levels of expenses are incurred with the investment in new professionals and possible expansion in to new markets. The Company is confident that these investments will continue to drive higher revenues and ultimately improve profitability. Legal fees incurred in defense and subsequent settlement of litigation have also strained profitability. Going forward, legal fees should decline given the recent litigation settlement and once reimbursement is received from the Company's insurer.

2007				**2008**			
Q1	Q2	Q3	**Q4**	Q1	Q2	Q3	**Q4**
$ (237)	$ 288	$ (337)	**$ 604**	$ 181	$ (658)	$ 84	**$ (1,138)**
-	8%	-	**12%**	4%	-	2%	**-**

Investment Income

The Company manages market risk by investing in Canadian and foreign equities, preferred shares of Canadian companies, fixed income instruments and short-term investments that meet specific investment criteria established and approved by the Board of Directors and designed to adequately diversify the Company's investments to reduce exposure to market risk. Consistent with last year, $8.2 million of the investment portfolio has been placed with two third party investment managers.

Commencing September 1, 2007, the Company adopted the new Financial Instruments Standard for public companies. Under the new standard, the investment portfolio is carried at market and any unrealized gains or losses that are considered other temporary in nature are recorded in other comprehensive income.

As at August 31, 2008, the market value of the Company's marketable securities was $561,000 below book value. This unrealized loss has been reflected in accumulated other comprehensive income (a component of shareholders' equity).

On a year-to-date basis, investment income has decreased from $645,000 in fiscal 2007 to $301,000 in fiscal 2008. The fourth quarter results include a reduction of investment income of approximately $568,000 relating to investment income from the managed funds, which had previously been recorded in the second quarter of fiscal 2008.

At year-end, it was determined that this investment income represents taxable income to the Company but does not represent accounting income under the new Financial Instruments standards. The adjustment was recorded in the fourth quarter as it has no impact on the previously reported values of marketable securities, total assets or shareholders' equity or comprehensive income in any period.

2007				2008			
Q1	Q2	Q3	**Q4**	Q1	Q2	Q3	**Q4**
$ 133	$ 160	$ 332	**$ 20**	$ 64	$ 624	$ 154	**$ (542)**

Net Earnings

Net Earnings (Loss) Before Tax

The fourth quarter produced a net loss before tax of $1,681,000 as compared to earnings before tax of $623,000 in the comparable period of 2007. For the year, the net loss before tax was $1,230,000 compared to earnings before tax of $963,000 in the prior year. Net loss before tax is impacted by the increased investment in professional partners and staff, and approximately $1,467,000 in legal and settlement costs that were incurred in 2008.

2007				2008			
Q1	Q2	Q3	**Q4**	Q1	Q2	Q3	**Q4**
$ (104)	$ 449	$ (6)	**$ 623**	$ 245	$ (33)	$ 239	**$ (1,681)**

Net Earnings After Tax

The fourth quarter of fiscal 2008 yielded a net loss after tax of $1,188,000 or 7.0 cents per share as compared to earnings of $355,000 or 2.0 cents per share in the fourth quarter of fiscal 2007. For the year, the net loss after tax was $747,000 versus net earnings after tax of $691,000 last year.

2007				2008			
Q1	Q2	Q3	**Q4**	Q1	Q2	Q3	**Q4**
$ (46)	$ 321	$ 61	**$ 355**	$ 160	$ 212	$ 69	**$ (1,188)**

Earnings per Share							
$ (0.003)	$ 0.019	$ 0.004	**$ 0.020**	$ 0.009	$ 0.012	$ 0.004	**$ (0.070)**

Dividends

In light of the quarterly and annual financial results, the Board of Directors concluded that a declaration of dividend would not be prudent at this time.

Liquidity and Capital Resources

The Company's financial performance and its policy of conserving its financial resources in prior years has enabled The Caldwell Partners to remain debt-free. As at August 31, 2008, the Company had $10,910,000 of marketable securities plus cash and cash equivalents of $8,008,000, for a total of $18,918,000, down $656,000 from $19,574,000 at year-end fiscal 2007. The Company has expended cash resources in supporting a dividend $2,098,000 in excess of earnings, $709,000 in repurchasing shares as part of its normal course issuer bid, and invested $69,000 in additions to computer hardware and software. Offsetting these uses of cash and equivalents are decreases in other working capital balances.

The Company's strategic plan is to invest some or all of its capital through the acquisition of businesses, groups of people or individuals that over time would be expected to contribute to the growth of its business and to the creation of additional value for its shareholders.

Reflecting the fact that The Caldwell Partners is a professional services firm whose most important asset is the intangible value of its people, cash and equivalent securities represented approximately 73% of the Company's total balance sheet stated assets at August 31, 2008, consistent with the close of fiscal 2007. The Company's investment in marketable securities comprises primarily preferred stocks of Canadian public companies rated P1, P2, or the equivalent, and pooled investment funds. Dividend income earned on these funds is considered a tax-efficient method of enhancing income.

Accounts receivable at the end of the fourth quarter of fiscal 2008 were $3,029,000, down $858,000 from $3,887,000 at the end of the prior year. This decline is attributable to lower revenues in the fiscal 2008 fourth quarter as compared to the fiscal 2007 fourth quarter, as well as an increased focus on receivable collections.

Accounts payable were $4,637,000 at the end of August 2008, up from $2,961,000 at the end of fiscal 2007. This increase is attributable to higher levels of accrued bonuses for management and higher levels of trade payables largely resulting from increased accruals for legal expenses and settlement.

The Company's investment in property and equipment was $1,860,000 compared with $2,191,000 at the 2007 year-end. This reflects net additions of $69,000 less amortization of $352,000 and net disposals of $48,000. Capital expenditures included improvements to computer equipment and enhancements to the accounting and information system software. At this time, capital expenditures in fiscal 2009 are estimated to be $200,000. Management is confident that its cash flow and retained cash and short-term investments are sufficient to fund its operations in fiscal 2009.

Shareholders' equity at August 31, 2008 was $18,464,000, down from $21,833,000 at year-end 2007, the decline reflecting dividend payments in excess of net earnings for the year, the inclusion this year of accumulated other comprehensive losses of $561,000 due to the adoption of the new financial reporting standards in the current year, and the re-purchase and cancellation of 637,160 Class A Non-Voting shares of the Company under its normal course issuer bid.

Business Outlook

Management remains cautious in its outlook given the turmoil and uncertainty that currently exist in capital markets and most sectors of the economy. The Company believes it is well-positioned to deal with these conditions and will continue to invest in growing its business to meet the demand for talent. Management feels the Company is appropriately sized for its current level of business, but expects to continue to add to its highly experienced team of partners and professionals in order to grow its business in fiscal 2009.

The Company remains debt-free with approximately $16 million in marketable securities and cash and cash equivalents as at November 21, 2008. Its business is diversified across sectors and across Canada, and therefore is less dependent on the performance of any particular industries, clients or regions. Management believes that this economic climate will likely continue to generate opportunities for growth in meeting the need for C-level executives, including CEOs, CFOs, CIOs, and other senior executives.

The Company's growth strategies for 2009 also include plans to establish at least one and possibly two offices in the United States where management feels that the Company can grow profitably in key markets.

Related Party Transactions

The Company paid rent at the exchange amount to affiliated companies owned by a shareholder (C. Douglas Caldwell, Chairman) in the amount of $291,421 (2007 - $247,580), net of recoveries from other related parties also controlled by the same shareholder, pursuant to the Company's lease commitments. The exchange amount is the amount of consideration agreed to by the parties of the transaction and was determined to be fair market rental rates at the inception of the lease by two commercial leasing agents.

Accounting Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Critical areas where such estimates are made are in the valuation of accounts receivable and marketable securities. Actual results could differ from those estimates.

Risks and Uncertainties

The Company operates in a highly competitive industry and its results may be affected by a number of factors. These factors include, but are not limited to, competition from other companies directly or indirectly engaged in executive search; the ability of the Company to execute its growth strategies; the performance of the Canadian domestic and international economies; the Company's ability to attract and retain key personnel, particularly partners who generate business; and the Company's ability to invest retained earnings in marketable securities, primarily preferred shares of Canadian publicly-owned companies rated P1, P2, or the equivalent and in short-term money market instruments to generate consistent investment income returns. Investments in marketable securities are inherently subject to market risk, which the Company endeavours to manage through a conservative investment policy that adheres to specific criteria set and reviewed by its Board of Directors and is designed to adequately diversify its investments to reduce exposures. Currently, professional investment managers invest and manage $8.0 million of the investment portfolio in accordance with the Company's investment policies. The Company does not incur any material foreign exchange risk as nearly all of its business is done in Canada and it has few dealings with international currencies. Currently, none of the Company's investment portfolio is denominated in U.S. dollars. With the performance of capital markets year-to-date, returns on the Company's investment portfolio may diminish and the market value of the portfolio has declined since year-end. Currently, marketable securities, cash and cash equivalents total approximately $16 million.

On November 17, 2006, a statement of claim was issued in the Superior Court of Justice of Ontario against the Company, each of its directors and certain companies which are wholly-owned by C. Douglas Caldwell, the Chairman and Chief Executive Officer of the Company.

Subsequent to year-end, on November 6, 2008, the Company entered into Heads of Agreement, setting out terms upon which this lawsuit would be dismissed and all parties released from claims with respect to matters alleged in the pleadings.

As part of this agreement, C. Douglas Caldwell and the plaintiffs will vote in support of combining the Company's voting and non-voting shares into a single class of voting shares. Voting Class B shares will receive 1.149 Class A common shares for each of their Class B shares and all Class A shares will become single-voting common shares. The conversion will take effect on November 1, 2011, following passage of an amendment to the Company's Articles to be placed before the next annual general meeting of shareholders. Further, two new directors who will be selected in co-operation with the plaintiffs, will be appointed to the Board of Directors.

The Company has also agreed under the terms of the settlement to reimburse the plaintiffs to a maximum of $500,000 of their litigation costs. This amount has been accrued in the Company's accounts for 2008. For the year ended August 31, 2008, the Company incurred legal costs of $1,467,385 (2007 - $584,538),
the majority of which in the current year related to defense and settlement of this claim. The Company has submitted a claim for some of its legal costs incurred to date and expects to be reimbursed by its insurer for a portion of these costs. No recovery of these costs has been reflected in the Company's accounts as reimbursement of these costs has not been received.

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. The Chief Executive Officer and Chief Financial Officer, in conjunction with the Board of Directors, review any material information affecting the Company to evaluate and determine the appropriateness and timing of public release.

The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure procedures as at August 31, 2008, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company's and its subsidiaries would have been known to them.

Internal Control Over Financial Reporting

Internal Control Over Financial Reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its financial statements. The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were changes to its ICFR during the quarter ended August 31, 2008 that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

Other Information

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com

Management's Report to Shareholders

The consolidated financial statements and all information contained in this annual report are the responsibility of management and the Board of Directors of the Corporation. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information. The corporation has established accounting and reporting systems supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records. The financial information presented throughout this annual report is consistent with financial statements.

PricewaterhouseCoopers, an independent firm of chartered accountants, has been appointed by the shareholders as external auditors of the Corporation. The Auditors' Report to the Shareholders, which describes the scope of their examination and expresses their opinion, is presented herein. The Audit Committee of the Board of Directors, whose members are not employees of the Corporation, meets with management and the independent auditors to satisfy itself that the responsibilities of the respective parties are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval.

John N. Wallace	Karen E. Richards, CA
PRESIDENT AND CHIEF EXECUTIVE OFFICER	SECRETARY AND CHIEF FINANCIAL OFFICER

November 21, 2008

PRICEWATERHOUSECOOPERS

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Auditors’ Report

To the Shareholders of
The Caldwell Partners International Inc.

We have audited the consolidated balance sheets of **The Caldwell Partners International Inc.** as at August 31, 2008 and 2007 and the consolidated statements of earnings, other comprehensive income (loss), shareholders’ equity and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Mississauga, Ontario
November 21, 2008

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS

	As at August 31	
	2008	*2007*
Assets		
Current Assets		
Cash and cash equivalents	$8,007,963	$5,839,292
Accounts receivable	3,029,381	3,886,522
Income taxes receivable	1,080,960	679,337
Prepaid expenses	181,222	169,545
	12,299,526	10,574,696
Marketable securities (note 3)	10,909,603	13,734,660
Loans receivable, net (note 4)	418,978	355,966
Property and equipment (note 5)	1,859,562	2,190,973
Future income taxes (note 6)	340,000	24,041
	$25,827,669	$26,880,336
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$4,637,343	$2,961,487
Deferred revenue	256,409	397,854
Current portion of incentive accrual (note 7)	530,250	-
	5,424,002	3,359,341
Long-term incentive accrual (note 7)	1,599,266	1,337,148
Future income taxes (note 6)	339,928	350,968
Shareholders' Equity		
Capital stock (note 8)	19,603,150	20,595,326
Contributed surplus	488,693	204,803
(Deficit) retained earnings	(1,066,075)	1,032,750
Accumulated other comprehensive loss	(561,295)	-
	18,464,473	21,832,879
	$25,827,669	$26,880,336

Commitments and contingencies (notes 4 & 11)

The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board:

C. Douglas Caldwell
Director

David A. Lewis
Director

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

	Year ending August 31 *2008*	*2007*
Operating revenue	$17,212,296	$15,544,458
Expenses:		
Employee compensation, general and administration (note 11)	18,390,532	14,880,394
Amortization	352,378	346,344
	18,742,910	15,226,738
(Loss) earnings before the following:	(1,530,614)	317,720
Investment income, net	300,738	644,841
Net (loss) earnings before tax	(1,229,876)	962,561
(Recovery of) provision for income taxes (note 6)		
Current	(156,000)	236,000
Future	(327,000)	36,000
	(483,000)	272,000
Net (loss) earnings for the year	($746,876)	$690,561
Earnings (loss) per Class A and Class B share:		
Basic and fully diluted	($0.044)	$0.040
Weighted average number of shares outstanding, basic and fully diluted	16,928,291	17,052,233

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year ending August 31 *2008*	*2007*
Net (loss) earnings for the year	($746,876)	$690,561
Unrealized loss on marketable securities available for sale	(1,064,015)	-
Reclassification of gains and losses included in net loss	160,857	-
Change in unrealized loss on marketable securities	(903,158)	-
Comprehensive loss for the year	($1,650,034)	$690,561

The accompanying notes are an integral part of these financial statements.

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Retained Earnings (Deficit)	Capital Stock			Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
		Class A Non-Voting Shares	Class B Voting Shares	Class C Special Shares			
Balance - August 31, 2006	**$1,706,406**	**$20,574,376**	**$20,950**	**-**	**$204,803**	**-**	**$22,506,535**
Dividends paid	(1,364,217)	-	-	-	-	-	(1,364,217)
Net earnings for the year ended August 31, 2007	690,561	-	-	-	-	-	690,561
Balance - August 31, 2007	**1,032,750**	**20,574,376**	**20,950**	**-**	**204,803**	**-**	**21,832,879**
Dividends paid	(1,351,615)	-	-	-	-	-	(1,351,615)
Net loss for the year ended August 31, 2008	(746,876)	-	-	-	-	-	(746,876)
Repurchase and cancellation of Class A Non-voting Shares	(334)	(992,176)	-	-	283,890	-	(708,620)
Adoption of new handbook standard (net of tax) (note 3)	-	-	-	-	-	341,863	341,863
Change in unrealized gains and losses on marketable securities available for sale	-	-	-	-	-	(903,158)	(903,158)
Balance - August 31, 2008	**($1,066,075)**	**$19,582,200**	**$20,950**	**-**	**$488,693**	**($561,295)**	**$18,464,473**

The accompanying notes are an integral part of these financial statements.

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended August 31	
	2008	*2007*
Operating Activities		
Net (loss) earnings for the year	($746,876)	$690,561
Items not affecting cash		
Amortization	352,378	346,344
Loss on sale marketable securities	160,857	4,671
Other realized gains on investments	-	(82,471)
Future income taxes	(327,000)	36,000
Non-cash incentive compensation	792,368	551,468
Net changes in working capital balances:		
Decrease (increase) in accounts receivable	857,141	(922,735)
Increase in income taxes receivable	(401,623)	(409,775)
(Increase) decrease in loans receivable, net	(63,012)	275,580
Increase in prepaid expenses	(11,677)	(22,955)
Increase in accounts payable and accrued liabilities	1,675,856	972,897
(Decrease) increase in deferred revenue	(141,445)	147,742
	2,146,967	1,587,327
Investing Activities		
Proceeds on sale of marketable securities	2,102,906	6,359,962
Purchases of marketable securities	-	(10,447,480)
Additions to property and equipment	(69,460)	(301,743)
Disposals of property and equipment	48,493	-
	2,081,939	(4,389,261)
Financing Activities		
Dividends paid	(1,351,615)	(1,364,217)
Repurchase of Class A Shares	(708,620)	-
	(2,060,235)	(1,364,217)
Net increase (decrease) in cash and cash equivalents during the year	2,168,671	(4,166,151)
Cash and cash equivalents, beginning of year	5,839,292	10,005,443
Cash and cash equivalents, end of year	$8,007,963	$5,839,292

Supplementary information:		
Income taxes paid	$472,000	$787,000
Cash and cash equivalents is comprised of the following:		
Cash	815,716	1,130,709
Short-term deposits	7,192,247	4,708,583
	$8,007,963	$5,839,292

The accompanying notes are an integral part of these financial statements.

THE CALDWELL PARTNERS INTERNATIONAL INC.

Notes to Consolidated Financial Statements
For The Years Ended August 31, 2008 and 2007

1. Basis of Presentation

The consolidated balance sheets and the consolidated statements of earnings, other comprehensive loss, shareholders' equity, and cash flows for the years ended August 31, 2008 and 2007 include the accounts of the Company and its subsidiaries. All material intercompany transactions have been eliminated.

2. Significant Accounting Policies

Revenue Recognition

While the Company's principal activity is that of executive search consulting and related services, it also provides its clients with interim executive placement services and recruitment advertising through subsidiary companies.

Revenue is recognized as services are rendered, generally over a three and one half month period commencing in the month of initial acceptance of a search engagement. In some instances, a portion of revenue may be deferred until services have been fully rendered. Revenue includes both professional fees, recovered expenses and administration fees.

Property and Equipment

Property and equipment are stated at cost, less accumulated amortization. Amortization is calculated at the following annual rates to amortize the cost of assets over their estimated useful lives:

Furniture and equipment	- 20% declining balance
Computer equipment	- 30% declining balance
Computer application and system software	- straight-line over three to ten years
Leasehold improvements	- straight-line over the term of the lease

Long-Lived Assets

The company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of the impairment loss for long-lived assets is based on the fair value of the asset.

Foreign Currency Translation

Transactions of the Company denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Foreign exchange gains and losses are recorded as incurred in the statement of earnings.

Future Income Taxes

The Company accounts for income taxes using the asset and liability method of income tax allocation. Under this method, assets and liabilities are recorded for the future income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. These future income tax assets and liabilities are recorded using substantively enacted income tax rates. The effect of a change in income tax rates on these future income tax assets or liabilities is included in income in the period in which the change occurs.

Cash and Cash Equivalents

Cash and cash equivalents comprises cash and short-term deposits with original maturity dates of less than three months. Short-term deposits are held in treasury bills, money market instruments and bank deposits earning interest at short-term market rates.

Income from Short-Term Investments and Marketable Securities

Realized gains and losses on disposal of marketable securities are included in investment income. Dividend income is recorded on the dividend record date and interest is recorded as earned.

Financial Instruments

The Canadian Institute of Chartered Accountants ("CICA") issued the following new accounting standards that apply to the Company as of September 1, 2007:

(a) CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement";
(b) CICA Handbook Section 3861 "Financial Instruments – Disclosure and Presentation".

The new standard requires the Company to revalue certain of its financial assets and liabilities at fair value on the initial date of implementation and at each subsequent financial reporting date. This standard also requires the Company to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurement.

Classification choices for financial assets include:

(a) Held for trading – measured at fair value with changes in fair value recorded in net earnings;
(b) Held to maturity – recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is derecognized or impaired;
(c) Available for sale – measured at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment; and
(d) Loans and receivables – recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is derecognized or impaired.

Classification choices for financial liabilities include:

(a) Held for trading – measured at fair value with changes in fair value recorded in net earnings; and
(b) Other – measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is derecognized.

In accordance with the new standard, the Company's financial assets and liabilities are generally classified and measured as follows:

Assets/liabilities	Category	Measurement
Marketable securities	Investments	Available for sale
Accounts and loans receivable	Loans and receivables	Amortized cost
Income taxes recoverable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Other
Other long-term liabilities	Other liabilities	Other

The Company has designated the marketable securities in its portfolio as available for sale and as a result these are measured at fair value with unrealized gains and losses that are considered temporary in nature being measured within other comprehensive income. Other than temporary impairments of marketable securities are recorded within the Company's consolidated statement of earnings (loss). Realized gains and losses are removed from accumulated other comprehensive income (loss) and recognized within the consolidated statements of earnings (loss).

The adoption of the new financial instruments standard resulted in fair valuing the marketable securities and recording an unrealized gain of $341,863 (net of tax) as an adjustment to the opening balance of Accumulated Other Comprehensive Income.

Embedded derivatives (elements of contracts whose cash flows more independently from the host contract) are required to be separated and measured at fair values if certain criteria are met. Under an election permitted by the new standard, management reviewed its contracts and determined that the Company does not currently have any significant embedded derivatives in these contracts that require separate accounting and disclosure.

Credit Risk

The Company's exposure to concentrations of credit risk is limited. The Company places its cash and cash equivalents with institutions of high creditworthiness, and the Company's accounts receivable are not subject to high concentrations of credit risk.

Foreign Exchange Risk

The Company has limited exposure to foreign currency transactions and therefore foreign currency exchange risk does not pose a significant risk to the Company's operations.

Interest Rate Risk

The Company has no external debt and therefore exposure to interest rate risk on debt facilities is nil. The Company does invest excess cash in short-term deposits and therefore decreases in interest rates impacts the amount of interest income earned from investments. Included within marketable securities are preferred shares which to a certain extent are also subject to interest rate risk. The remaining portfolio is invested in equities and pooled funds which are also subject to market price risk (ie. fair value fluctuates based on changes in market prices).

Adoption of New Accounting Pronouncements

Effective September 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1530 "Comprehensive Income", 3251 "Equity", 3855 "Financial Instruments" and 3861 (discussed above).

CICA Section 1530 established standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income calculated in accordance with generally accepted accounting principles.

CICA Section 3251 established standards for the presentation of equity and changes in equity during the period. Accumulated other comprehensive income (loss) is included on the consolidated balance sheet as a separate component of shareholders' equity.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Stock Based Compensation

The Company has adopted the recommendations of the Canadian Institute of Chartered Accountants' Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". The recommendations are generally applicable only to awards granted after the date of adoption, except for awards settled in cash. This section was implemented on a prospective basis. The Company accounts for its stock option plan using the fair value method of accounting for stock based compensation.

3. Marketable Securities

The Company has investments in marketable securities comprised of the following:

	2008		2007	
	market	cost	market	cost
Preferred shares	$2,640,436	$3,128,427	$5,229,965	$5,392,190
Managed funds	8,143,954	8,182,742	8,781,303	8,182,742
Common shares	125,213	159,728	140,553	159,728
	$10,909,603	11,470,897	$14,151,821	$13,734,660

Effective September 1, 2007 upon adoption of section 3855 of the CICA Handbook, the Company's portfolio is now recorded at market value. This new handbook standard was adopted prospectively and resulted in a credit to accumulated other comprehensive income of $341,863 (net of tax) representing the unrealized gain in the portfolio at the that time. The 2007 comparatives present these investments at cost.

4. Loans Receivable, Net

Loans receivable include advances and amounts receivable from employees of the Company. The loans receivable balance is shown net of any amounts owing to employees, where the legal right of offset and net settlement intention exists. The loan balances do not bear interest and have various repayment terms. The fair value approximates the carrying value of these loans.

5. Property and Equipment

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture & Equipment	$1,766,252	$1,436,080	$330,172	$1,854,377	$1,438,772	$415,605
Computer Equipment	2,008,818	1,821,651	187,167	2,084,572	1,829,627	254,945
Computer software	1,716,318	1,291,753	424,565	1,676,220	1,186,465	489,755
Leasehold improvements	2,552,807	1,635,149	917,658	2,583,258	1,552,590	1,030,668
	$8,044,195	$6,184,633	$1,859,562	$8,198,427	$6,007,454	$2,190,973

6. Income Taxes

The following table reconciles income taxes calculated at the combined federal/provincial statutory tax rate with the income tax provision in the consolidated financial statements.

	2008	2007
	%	%
Combined Canadian federal and provincial income tax rate	33.6	36.1
Decrease resulting from:		
Dividends received on preferred and common shares	5.2	(14.0)
Non-taxable portion of capital losses	(2.2)	(0.1)
Increase resulting from:		
Provision for income tax receivable	-	5.8
Non-taxable portion of capital losses	-	0.1
Non-deductible expenses	(0.4)	0.2
Other	3.1	0.2
	39.3	28.3

Future income tax assets and liabilities are provided for temporary differences between the consolidated financial statement carrying values of existing assets and liabilities and their respective tax bases. The significant components of future income tax assets and liabilities are as follows:

	2008	2007
Future income tax assets:		
Capital and non capital losses and other deductions available to offset future taxable income	$340,000	$24,041
Future income tax liabilities:		
Excess of the carrying values of property and equipment over the tax base	(339,928)	(350,968)
Net future income tax liability	$72	($326,927)

The Company has capital loss benefits of $832,000 which have not been reflected in the Company's accounts. The Company's non-capital losses have an expiry date of twenty years.

7. Other Long-term Liabilities

Included in Other Long-term Liabilities is an accrual for long-term incentive compensation for the Company's consistently top revenue-producing employees. The current portion reflects payments that have vested and are expected to be paid in the next twelve months.

8. Capital Stock

The authorized share capital of the Company consists of an unlimited number of Class A Non-voting Shares of which 12,531,623 (2007 – 13,168,783) are issued and outstanding, an unlimited number of Class B Voting Shares of which 3,883,450 (2007 – 3,883,450) are issued and outstanding, and 240,000 Class C Special Shares of which nil (2007 - nil) are issued and outstanding. The holders of Class A Non-voting Shares are entitled to share equally, share for share, with the holders of Class B Shares in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

Class A Shares

Over the course of 2008, the Company under its normal course issuer bid repurchased and canceled 637,160 of its Class A Non-voting shares. There was no activity in Class A shares during 2007.

Class B Shares

The Class B Voting Shares are convertible to Class A Non-voting Shares on a one-for-one basis. Prior to conversion, Class B Voting Shares must be first offered for sale to the remaining Class B shareholders, based on a price equivalent to the market price of Class A shares at that time. If the Class B Voting Shares are not sold, they may then be converted to Class A Non-Voting Shares. There was no activity in Class B Shares in 2008 and 2007.

Class C Shares

In 1997, 80,000 Class C Special Shares were issued to employees of the Company. A further 160,000 Class C Special Shares were issued in 1999. These shares were convertible over a period of 5 years commencing one year after their date of issue, into Class A Non-voting Shares. All 240,000 Class C Shares were cancelled in 2005.

Stock Options

Stock options are granted periodically to directors, officers and employees of the Company. Cash received upon exercise of options for common shares is credited to capital stock. Total outstanding stock options are summarized as follows:

	2008		2007	
	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price
Outstanding at beginning of year	0	-	2,500	$0.96
Options expired or cancelled	0	-	(2,500)	$0.96
Outstanding at end of year	0	-	0	-

Subsequent to year-end, on September 11, 2008, 600,000 options to purchase Class A Non-voting Shares were approved and issued to the new Chief Executive Officer and the current Chairman. These options vest over three years and have a grant price of $1.05. No compensation expense has been recognized for the year ending August 31, 2008 and 2007 as no options were granted in 2008 and 2007.

9. Lease Commitments

The Company's future operating lease commitments for premises excluding operating costs, which are also discussed in note 10, are as follows:

2009	$ 704,427
2010	560,026
2011	293,150
2012	226,949
2013 & thereafter	177,415
	$1,961,967

10. Related Party Transactions

The Company paid rent at the exchange amount to affiliated companies owned by a shareholder (C. Douglas Caldwell, Chairman) in the amount of $291,421 (2007 - $247,580), net of recoveries from other related parties also controlled by the same shareholder, pursuant to the Company's lease commitments. The exchange amount is the amount of consideration agreed to by the parties of the transaction and was determined to be fair market rental rates at the inception of the lease by two commercial leasing agents.

11. Contingency and Subsequent Event – Shareholder Litigation

On November 17, 2006, a statement of claim was issued in the Superior Court of Justice of Ontario against the Company, each of its directors and certain companies which are wholly-owned by C. Douglas Caldwell, the Chairman and Chief Executive Officer of the Company. The plaintiffs in this action are J.C. Clark Ltd., The Tailwind Fund Limited Partnership and McElvaine Investment Management Ltd., who disclose in the Statement of Claim that they own cumulatively approximately 38.6% of the Class A Non-Voting Shares of the Company. This Statement of Claim alleges that the defendants have effected, are effecting or threaten to effect a result that is oppressive or unfairly prejudicial to or unfairly disregards the rights and interests of the plaintiffs, and other holders of Class A Non-Voting Shares of the Company. The Statement of Claim requests certain declaratory relief against the Company, including a termination of the head office lease of the Company, or an amendment of its terms, asks that the Company declare and pay a dividend from the Company's excess cash reserves and asks that C. Douglas Caldwell be restrained from voting any shares of the Company that he owns directly or indirectly, either legally or beneficially.

Subsequent to year-end, on November 6, 2008, the Company entered into Heads of Agreement (subject to the signing of a definitive Settlement Agreement), setting out terms upon which this lawsuit would be dismissed and all parties released from claims with respect to matters alleged in the pleadings. As part of this agreement, C. Douglas Caldwell and the plaintiffs will vote in support of combining the Company's voting and non-voting shares into a single class of voting shares. Voting Class B shares will receive 1.149 Class A common shares for each of their Class B shares and all Class A shares will become single-voting common shares. The conversion will take effect on November 1, 2011, following passage of an amendment to the Company's Articles to be placed before the next annual general meeting of shareholders. Further, two new directors who will be selected in co-operation with the plaintiffs, will be appointed to the Board of Directors.

The Company has also agreed under the terms of the settlement to reimburse the plaintiffs to a maximum of $500,000 of their litigation costs. This amount has been accrued in the Company's accounts for 2008. For the year ended August 31, 2008, the Company incurred legal costs of $1,467,385 (2007 - $584,538), the majority of which in the current year related to defense and settlement of this claim. The Company has submitted a claim for some of its legal costs incurred to date and expects to be reimbursed by its insurer for a portion of these costs. No recovery of these costs has been reflected in the Company's accounts as reimbursement of these costs has not been received.

Directors

C. Douglas Caldwell
Chair and Founder
The Caldwell Partners International Inc.

Anne M. Fawcett
Vice Chair
The Caldwell Partners International Inc.

G. Edmund King *
Corporate Director

David A. Lewis *
Chair, Green Shield Canada

Harry W. Macdonell, Q.C.*
Corporate Director

* Member of Audit/Compensation, Nominating and Corporate Governance Committees.

Officers

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Chair and Founder
The Caldwell Partners International Inc.

Anne M. Fawcett
Vice Chair
The Caldwell Partners International Inc.

Karen E. Richards, C.A.
Chief Financial Officer and Corporate Secretary
The Caldwell Partners International Inc.

John N. Wallace
President and Chief Executive Officer
The Caldwell Partners International Inc.

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Chartered Accountants
Toronto

Counsel
McCarthy Tétrault
Barristers and Solicitors
Toronto

Stock Exchange Listing
The Toronto Stock Exchange
(symbol: CWL.A)

Transfer Agent
CIBC Mellon Trust Company
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To participate in or learn more about The Caldwell Partners' Dividend Reinvestment Program (DRIP), please call Karen Richards at 1.888.366.3827 or contact CIBC Mellon Trust at 1.800.387.0825

Connecting with The Caldwell Partners

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