

Effective Date: December 31, 2000
Amended: September 30, 2004
Amended: March 30, 2004
Amended: January 4, 2005
Consolidated: up to May 19, 2005

NATIONAL INSTRUMENT 44-101 SHORT FORM PROSPECTUS DISTRIBUTIONS

TABLE OF CONTENTS

Part 1	DEFINITIONS AND INTERPRETATION	1
1.1	Definitions	1
1.2	Significant Acquisitions.....	11
1.3	Application of the Income Test	14
1.4	Probable Acquisitions.....	15
1.5	Acquisitions.	16
1.6	Significant Dispositions.....	16
1.7	References to Information Included in a Document.	16
1.8	References to Information to be Included in a Document.....	16
1.9	Incorporation by Reference.	17
1.10	Interpretation of "Short Form Prospectus".	17
Part 2	QUALIFICATION TO FILE A PROSPECTUS IN THE FORM OF A SHORT FORM PROSPECTUS.....	17
2.1	Short Form Prospectus.....	17
2.2	Basic Qualification Criteria.....	18
2.3	Alternative Qualification Criteria for Substantial Issuers	20
2.4	Alternative Qualification Criteria for Issuers of Approved Rating Non- Convertible Securities	20
2.5	Alternative Qualification Criteria for Issuers of Guaranteed Non-Convertible Debt Securities, Preferred Shares and Cash Settled Derivatives.....	21
2.6	Alternative Qualification Criteria for Issuers of Guaranteed Convertible Debt Securities or Preferred Shares.....	24
2.7	Alternative Qualification Criteria for Issuers of Asset-Backed Securities.....	26
2.8	Alternative Qualification Criteria Following Reorganizations.....	27
2.9	Calculation of the Aggregate Market Value of an Issuer's Securities	27
2.10	Adoption by Successor Issuer of a Participant's AIF Following a Reorganization	28
Part 3	AIF	29
3.1	Initial AIF	29
3.2	Renewal AIF Filing Procedures.....	29
3.3	Supporting Documents.....	31
3.4	Alternative Form of AIF	33

Part 4	DISCLOSURE IN A SHORT FORM PROSPECTUS OF FINANCIAL STATEMENTS FOR SIGNIFICANT ACQUISITIONS.....	33
4.1	Scope	33
4.2	Financial Statement Disclosure for Significant Acquisitions Completed During the Issuer's Three Most Recently Completed Financial Years	33
4.3	Financial Statement Disclosure for Significant Acquisitions Completed During the Issuer's Current Financial Year	34
4.4	Financial Statement Disclosure for Significant Probable Acquisitions	35
4.5	<i>Pro Forma</i> Financial Statements.....	37
4.6	Reporting Periods.....	39
4.7	Additional Financial Statements or Financial Information of the Business Filed or Released	41
4.8	Exceptions to Disclosure Requirements for Significant Acquisitions if More Recent Financial Statements Included	41
4.9	Exception to Disclosure Requirements for Significant Acquisitions if Financial Year End Changed	42
4.10	Exception to Disclosure Requirements for Significant Acquisitions Accounted for Using the Equity Method	42
4.11	Additional Disclosure for Significant Acquisitions After Financial Year End Accounted for Using the Purchase Method	43
4.12	Audit Requirement for Financial Statements of a Business.....	43
4.13	Exception to Audit Requirement for Interim Financial Statements of a Business.	43
4.14	Exception to Audit Requirement for Recent Financial Statements of a Business.	44
4.15	Exception to Audit Requirement for Financial Statements of a Business Included in a Previous Prospectus without an Audit Opinion	44
4.16	Compilation Report for <i>Pro Forma</i> Financial Statements	44
Part 5	FINANCIAL STATEMENT DISCLOSURE FOR MULTIPLE ACQUISITIONS THAT ARE NOT OTHERWISE SIGNIFICANT OR RELATED	44
5.1	Scope	44
5.2	Historical Financial Statement Disclosure.....	45
5.3	Additional Financial Statements or Financial Information of the Business Filed or Released	47
5.4	Exceptions to Disclosure Requirements for Multiple Acquisitions if More Recent Financial Statements Included.....	47
5.5	Exception to Disclosure Requirements for Multiple Acquisitions if Financial Year End Changed.....	47
5.6	Audit Requirement for Financial Statements of a Business.....	48
5.7	Exception to Audit Requirement for Interim Financial Statements of a Business.	48
5.8	Exception to Audit Requirement for Recent Financial Statements of a Business.	48
5.9	Compilation Report for <i>Pro Forma</i> Financial Statements.	48
Part 6	PRO FORMA FINANCIAL STATEMENT DISCLOSURE FOR SIGNIFICANT DISPOSITIONS.....	48

6.1	Scope	48
6.2	<i>Pro Forma</i> Financial Statements	49
Part 7	AUDIT REQUIREMENT FOR FINANCIAL STATEMENTS OF AN ISSUER	50
7.1	Audit Requirement	50
7.2	[repealed]	50
7.3	Exception to Audit Requirement	50
7.4	[repealed]	51
7.5	[repealed]	51
Part 8	AUDIT COMMITTEE REVIEW OF FINANCIAL STATEMENTS INCLUDED IN A SHORT FORM PROSPECTUS	51
8.1	Audit Committee Review of Financial Statements Included in a Short Form Prospectus	51
Part 9	DEEMED INCORPORATION BY REFERENCE	51
9.1	Deemed Incorporation by Reference of Filed Documents.	51
9.2	Deemed Incorporation by Reference of Subsequently Filed Documents.	51
Part 10	FILING REQUIREMENTS FOR A SHORT FORM PROSPECTUS	52
10.1	Interpretation of "Prospectus".	52
10.2	Required Documents for Filing a Preliminary Short Form Prospectus	52
10.3	Required Documents for Filing a Short Form Prospectus	54
10.4	Consent of Experts	57
10.5	Filing of French Language Version	59
10.6	Prohibition on Filing.	59
10.7	Material Contracts.	59
Part 11	AMENDMENTS TO A SHORT FORM PROSPECTUS	59
11.1	Form of Amendment	59
11.2	Required Documents for Filing an Amendment	60
11.3	Auditor's Letter.	60
11.4	Forwarding Amendments	60
11.5	Amendment to Preliminary Short Form Prospectus	60
11.6	Amendment to Short Form Prospectus	61
Part 12	NON-FIXED PRICE OFFERINGS AND REDUCTION OF OFFERING PRICE UNDER SHORT FORM PROSPECTUS	61
12.1	Non-Fixed Price Offerings and Reduction of Offering Price under Short Form Prospectus	61
Part 13	CIRCULARS	62
13.1	Use of Short Form Prospectus Disclosure in Securities Exchange Take-Over Bid Circular and Securities Exchange Issuer Bid Circular	62
13.2	Use of Short Form Prospectus Disclosure in Information Circular	63
13.3	Information Circular Disclosure regarding Availability of Information	63
Part 14	SOLICITATIONS OF EXPRESSIONS OF INTEREST	64

14.1	Solicitations of Expressions of Interest	64
Part 15	EXEMPTION	65
15.1	Exemption.....	65
15.2	Evidence of Exemption.....	65
15.3	Exemption under Prior Policy.....	66
Part 16	EFFECTIVE DATE.....	66
16.1	Effective Date.....	66

**NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS**

(incorporating amendments up to and including January 4, 2005)

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions - In this Instrument

"absolute value" means the positive value of any number; (*valeur absolue*)

"acquisition of related businesses" means the acquisitions of two or more businesses if

- (a) the businesses were under common control or management before the acquisitions were completed,
- (b) each acquisition was conditional upon the completion of each other acquisition, or
- (c) each acquisition is contingent on a single common event; (*acquisition d'entreprises reliées*)

"AIF" means an annual information form

- (a) in Form 51-102F2,
- (b) in Form 51-102F2 or Form 44-101F1, if the annual information form was filed in respect of financial years beginning before January 1, 2004, or
- (c) in the form referred to in section 3.4; (*notice annuelle*)

"alternative credit support" means support, other than a guarantee, for the payments to be made by an issuer of securities, as stipulated in the terms of the securities or in an agreement governing rights of, or granting rights to, holders of the securities, that

- (a) obliges the person or company providing the support to provide the issuer with funds sufficient to enable the issuer to make the stipulated payments, or

- (b) entitles the holder of the securities to receive, from the person or company providing the support, payment if the issuer fails to make a stipulated payment; (*soutien au crédit de remplacement*)

"approved rating" means, for a security, a rating at or above one of the following rating categories issued by an approved rating organization for the security or a rating category that replaces a category listed below:

Approved Rating Organization	Long Term Debt	Short Term Debt	Preferred Shares
CBRS Inc.	B++	A-2	P-3
Dominion Bond Rating Service Limited	BBB	R-2	pdf-3
Duff & Phelps Credit Rating Co.	BBB-	D-3	BBB-
Fitch IBCA, Inc.	BBB	F3	BBB
Moody's Investors Service, Inc.	Baa	Prime-3	"baa"
Standard & Poor's Corporation	BBB	A-3	BBB
Thomson BankWatch, Inc.	BBB	TBW-3	BBB

(*note approuvée*)

"approved rating organization" means each of CBRS Inc., Dominion Bond Rating Service Limited, Duff & Phelps Credit Rating Co., Fitch IBCA, Inc., Moody's Investors Service, Inc., Standard & Poor's Corporation, Thomson BankWatch, Inc., and any of their successors; (*agence de notation agréé*)

"asset-backed security" means a security that is primarily serviced by the cash flows of a discrete pool of mortgages, receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, and any rights or other assets designed to assure the servicing or timely distribution of proceeds to security holders; (*titre adossé à des créances*)

"associated party" means, if used to indicate a relationship with a person or company,

- (a) a partner, other than a limited partner, of the person or company,
- (b) a trust or estate in which the person or company has a substantial beneficial interest or for which the person or company serves as trustee or in a similar capacity,
- (c) an issuer in respect of which the person or company beneficially owns or controls, directly or indirectly, securities carrying more than 10 per cent of the voting rights attached to all outstanding securities of the issuer,
- (d) a relative of the person who has the same home as that person,
- (e) an individual who has the same home as the person and who is either married to the person or is living with the person in a conjugal relationship outside marriage, or
- (f) a relative of an individual mentioned in paragraph (e) who has the same home as the person; (*personne reliée*)

"business segment" has the meaning ascribed to that term in the Handbook; (*unité d'exploitation*)

"cash equivalent" means an evidence of indebtedness that has a remaining term to maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by

- (a) the government of Canada or the government of a jurisdiction,
- (b) the government of the United States of America, the government of one of the states of the United States of America, the government of another sovereign state or a permitted supranational agency, if, in each case, the evidence of indebtedness has an approved rating, or
- (c) a Canadian financial institution, or other entity that is regulated as a banking institution, loan corporation, trust company, or insurance company or credit union by the government, or an agency of the government, of the country under whose laws the entity is incorporated or organized or a political subdivision of that country, if, in either case, the Canadian financial institution or other entity has outstanding short term debt securities that have received an approved rating from any approved rating organization; (*quasi-espèces*)

"cash settled derivative" means a specified derivative, the terms of which provide for settlement only by means of cash or cash equivalent, the amount of which is determinable by reference to the underlying interest of the specified derivative; (*instrument dérivé réglé en espèces*)

"connected issuer" has the meaning ascribed to that term in securities legislation; (*émetteur associé*)

"convertible" means, if used to describe securities, that the rights and attributes attached to the securities include the right or option to purchase, convert into or exchange for or otherwise acquire equity securities of an issuer, or any other security that itself includes the right or option to purchase, convert into or exchange for or otherwise acquire equity securities of an issuer; (*convertible*)

"credit supporter" means a person or company that provides a guarantee or alternative credit support for any of the payments to be made by an issuer of securities as stipulated in the terms of the securities or in an agreement governing rights of, or granting rights to, holders of the securities; (*garant*)

"current AIF" means

- (a) for an issuer other than an issuer subsisting under the laws of a foreign jurisdiction that has filed an AIF in the form of a current annual report on Form 10-K, Form 10-KSB, or on Form 20-F under the 1934 Act
 - (i) during the period of 140 days following the issuer's most recently completed financial year,
 - (A) if the issuer has filed an initial AIF for its most recently completed financial year that has been accepted for filing under this Instrument, the initial AIF,
 - (B) if the issuer has filed a renewal AIF under this Instrument for its most recently completed financial year, the renewal AIF,
 - (C) if the issuer has not filed an AIF for its most recently completed financial year and has filed an initial AIF for the financial year preceding its most recently completed financial year that has been accepted for filing under this Instrument, the initial AIF, or

- (D) if the issuer has not filed an AIF for its most recently completed financial year and has filed a renewal AIF under this Instrument for the financial year preceding its most recently completed financial year, the renewal AIF,
 - (ii) at any time after 140 days following the issuer's most recently completed financial year,
 - (A) if the issuer has filed an initial AIF for its most recently completed financial year that has been accepted for filing under this Instrument, the initial AIF, or
 - (B) if the issuer has filed a renewal AIF under this Instrument for its most recently completed financial year, the renewal AIF, or
 - (iii) an AIF of the issuer filed before this Instrument came into force that would constitute a "Current AIF" for the purposes of NP47 if that instrument was applicable, or
- (b) for an issuer subsisting under the laws of a foreign jurisdiction that has filed an AIF in the form of a current annual report on Form 10-K, Form 10-KSB, or on Form 20-F under the 1934 Act
- (i) during the period of 180 days following the issuer's most recently completed financial year
 - (A) if the issuer has filed an initial AIF for its most recently completed financial year that has been accepted for filing under this Instrument, the initial AIF,
 - (B) if the issuer has filed a renewal AIF under this Instrument for its most recently completed financial year, the renewal AIF,
 - (C) if the issuer has not filed an AIF for its most recently completed financial year and has filed an initial AIF for the financial year preceding its most recently completed financial year that has been accepted for filing under this Instrument, the initial AIF, or
 - (D) if the issuer has not filed an AIF for its most recently completed financial year and has filed a renewal AIF under this Instrument for the financial year preceding its

most recently completed financial year, the renewal AIF,

- (ii) at any time after 180 days following the issuer's most recently completed financial year,
 - (A) if the issuer has filed an initial AIF for its most recently completed financial year that has been accepted for filing under this Instrument, the initial AIF, or
 - (B) if the issuer has filed a renewal AIF under this Instrument for its most recently completed financial year, the renewal AIF, or
- (iii) an AIF of the issuer filed before this Instrument came into force that would constitute a "Current AIF" for the purposes of NP47 if that instrument was applicable; (*notice annuelle courante*)

"equity securities" means securities of an issuer that carry a residual right to participate in the earnings of the issuer and, upon the liquidation or winding up of the issuer, in its assets; (*titre de participation*)

"executive officer" with respect to a person or company means an individual who is

- (a) a chair of the person or company,
- (b) a vice-chair of the person or company,
- (c) the president of the person or company,
- (d) a vice-president of the person or company in charge of a principal business unit, division or function including sales, finance or production,
- (e) an officer of the person or company or any of its subsidiaries, who performed a policy-making function in respect of the person or company, or
- (f) any other individual who performed a policy-making function in respect of the person or company; (*membre de la haute direction*)

"Form 51-102F1" means Form 51-102F1 *Management's Discussion and Analysis*;

"Form 51-102F2" means Form 51-102F2 *Annual Information Form*;

"44-101 regulator" means, for an issuer filing an AIF, preliminary short form prospectus, short form prospectus or amendment to a short form prospectus,

- (a) the regulator in the local jurisdiction, if the issuer has not elected to use the MRRS, or
- (b) the person referred to in Appendix D of National Instrument 14-101 Definitions opposite the name of the jurisdiction that acts as principal regulator for the review of the document under National Policy 43-201 Mutual Reliance Review System for Prospectuses and Annual Information Forms, together with the regulator in each jurisdiction, if any, that has opted out of, without having opted back into, the MRRS, if the issuer has elected to use the MRRS; (*agent responsable de l'application de la Norme 44-101*)

"income from continuing operations" means income or loss, excluding discontinued operations and extraordinary items, before income taxes and after amortization and write-offs of goodwill; (*bénéfice tiré des activités poursuivies*)

"initial AIF" means an AIF, as may be revised from time to time, filed by an issuer in the local jurisdiction, if at the time of filing the issuer either

- (a) has not previously had a current AIF in the local jurisdiction, or
- (b) previously had a current AIF in the local jurisdiction and no longer has one; (*notice annuelle initiale*)

"interim period" means a completed three, six or nine month period in the financial year that commenced immediately following the end of the most recently completed financial year for which audited annual financial statements are included in a short form prospectus; (*période intermédiaire*)

"investee" means an entity that the Handbook recommends that an issuer account for by the equity method or the proportionate consolidation method; (*entité émettrice*)

"issuer's GAAP" means the accounting principles used to prepare an issuer's financial statements, as permitted by NI 52-107; (*PCGR de l'émetteur*)

"MD&A" means the management's discussion and analysis of financial condition and results of operations of an issuer

- (a) in Form 51-102F1, or
- (b) for financial years beginning before January 1, 2004,
 - (i) in Form 51-102F1, or
 - (ii) required to be disclosed in an AIF in respect of financial years beginning before January 1, 2004; (*rapport de gestion*)

"mineral project" means any exploration, development or production activity in respect of natural, solid, inorganic or fossilized organic material including base and precious metals, coal and industrial minerals; (*projet minier*)

"MRRS" has the meaning ascribed to that term in National Policy 43-201; (*REC*)

"NI 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*; (*Norme canadienne 51-102*)

"NI 52-107" means National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

"non-convertible" means, if used to describe a security, a security that is not convertible; (*non convertible*)

"NP47" means National Policy Statement No. 47 Prompt Offering Qualification System; (*IG C-47*)

"participant" means an issuer that is a party to a reorganization; (*partie*)

"permitted supranational agency" means the International Bank for Reconstruction and Development, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, the Caribbean Development Bank, the European Bank for Reconstruction and Development, the African Development Bank and any person or company prescribed under paragraph (g) of the definition of "foreign property" in subsection 206(1) of the ITA; (*organisme supranational accepté*)

"pre-acquisition period" means the period from the first day of the current financial year to the date of the acquisition of a business or to a day not

more than 30 days before the date of the acquisition; (*période précédant l'acquisition*)

"principal obligor" means, for an asset-backed security, a person or company that is obligated to make payments, has guaranteed payments, or has provided alternative credit support for payments, on financial assets that represent a third or more of the aggregate amount owing on all of the financial assets underlying the asset-backed security; (*débiteur principal*)

"probable acquisition of a business" means a proposed acquisition of a business that has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high; (*acquisition probable d'une entreprise*)

"probable acquisition of related businesses" means

- (a) a proposed acquisition of related businesses if each proposed acquisition has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high, or
- (b) a completed acquisition of a business and a proposed acquisition of a business if
 - (i) the proposed acquisition has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high, and
 - (ii) if
 - (A) the businesses were under common control or management prior to the date of the acquisition,
 - (B) the proposed acquisition was conditional upon the completed acquisition; or
 - (C) each acquisition is contingent on a single common event; (*acquisition probable d'entreprises reliées*)

"related credit supporter" of an issuer means a credit supporter of the issuer that is an affiliate of the issuer; (*garant relié*)

"renewal AIF" means an AIF filed by an issuer in the local jurisdiction, as may be revised from time to time, if at the time of filing the issuer had a current AIF; (*notice annuelle de renouvellement*)

"reorganization" means

- (a) a statutory amalgamation,
- (b) a statutory merger, or
- (c) a statutory arrangement; (*reorganisation*)

"SEDAR" has the meaning ascribed to that term in National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR); (*SEDAR*)

"significance tests" means the tests set out in subsection 1.2(2) and, if applicable, subsection 1.2(3), used to determine if an acquisition of a business, an acquisition of related businesses, a probable acquisition of a business or a probable acquisition of related businesses is a significant acquisition for purposes of this Instrument; (*critères relatifs à l'importance*)

"specified derivative" means an instrument, agreement or security, the market price, value or payment obligation of which is derived from, referenced to, or based on an underlying interest; (*instrument dérivé visé*)

"successor issuer" means an issuer existing as a result of a reorganization, other than, in the case where the reorganization involved a divestiture of a portion of a participant's business, an issuer that succeeded to or otherwise acquired the portion of the business divested; (*émetteur résultant d'une reorganisation*)

"transition year" means the financial year of an issuer or business in which a change in the ending date of its financial year occurs; (*exercice transitoire*)

"underlying interest" means, for a specified derivative, the security, commodity, financial instrument, currency, interest rate, foreign exchange rate, economic indicator, index, basket, agreement, benchmark or any other reference, interest or variable, and, if applicable, the relationship between any of the foregoing, from, to or on which the market price, value or any payment obligation of the specified derivative is derived, referenced or based; (*élément sous-jacent*) and

"US GAAP" means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support as supplemented by Regulation S-X and S-B under the 1934 Act. (*PCGR américains*)

1.2 Significant Acquisitions

- (1) **Significant Acquisitions** - Unless the context otherwise requires, the term "significant acquisition" refers to an acquisition of a business, an acquisition of related businesses, a probable acquisition of a business or a probable acquisition of related businesses that satisfies any of the significance tests.
- (2) **Required Significance Tests at Date of Acquisition** - For the purposes of this Instrument, an acquisition of a business, an acquisition of related businesses, a probable acquisition of a business or a probable acquisition of related businesses is a significant acquisition, if it satisfies any of the following three tests:
 1. **The Asset Test.** The issuer's proportionate share of the consolidated assets of the business or related businesses exceeds 20 per cent of the consolidated assets of the issuer calculated using the audited financial statements of each of the issuer and the business or the related businesses for the most recently completed financial year of the issuer ended before the date of the acquisition.
 2. **The Investment Test.** The issuer's consolidated investments in and advances to the business or the related businesses exceeds 20 per cent of the consolidated assets of the issuer as at the last day of the most recently completed financial year of the issuer ended before the date of the acquisition for which audited financial statements are included in the short form prospectus, excluding any investments in or advances to the business or the related businesses as at that date.
 3. **The Income Test.** The issuer's proportionate share of the consolidated income from continuing operations of the business or related businesses exceeds 20 per cent of the consolidated income from continuing operations of the issuer calculated using the audited financial statements of each of the issuer and the business or related businesses for the most recently completed financial year of each ended before the date of the acquisition.
- (3) **Optional Significance Tests Subsequent to the Date of Acquisition** - If an acquisition of a business, an acquisition of related businesses, a probable acquisition of a business or a probable acquisition of related businesses is significant based on the significance tests in

subsection (2), the issuer may re-calculate the significance at a more recent date as follows:

1. **The Asset Test.** The issuer's proportionate share of the total consolidated assets of the business or the related businesses, as at the date of the issuer's most recent balance sheet included in the short form prospectus, exceeds 20 per cent of the consolidated assets of the issuer, as at the date of the issuer's most recent balance sheet included in the short form prospectus, without giving effect to the acquisition.
2. **The Investment Test.** The issuer's consolidated investments in and advances to the business or the related businesses as at the date of the acquisition or the proposed date of the acquisition exceeds 20 per cent of the consolidated assets of the issuer as at the date of the issuer's most recent balance sheet included in the short form prospectus for a period that ends before the date of the acquisition, excluding any investments in or advances to the business or related business as at that date.
3. **The Income Test.** The income from continuing operations calculated pursuant to the following clause (a) exceeds 20 per cent of the income from continuing operations calculated pursuant to the following clause (b):
 - (a) The issuer's proportionate share of the consolidated income from continuing operations of the business or the related businesses for the later of
 - (i) the most recently completed financial year of the business or the related businesses that ended more than 90 days before the date of the short form prospectus, or
 - (ii) the 12 months ended on the last day of the most recently completed interim period of the business or related businesses that ended more than 60 days before the date of the short form prospectus.
 - (b) The issuer's consolidated income from continuing operations for the later of

- (i) the most recently completed financial year, without giving effect to the acquisition, or
 - (ii) the 12 months ended on the last day of the most recently completed interim period of the issuer for which financial statements are included in the short form prospectus, without giving effect to the acquisition.
- (4) If an issuer re-calculates the significance of an acquisition of a business, an acquisition of related businesses, a probable acquisition of a business or a probable acquisition of related businesses pursuant to subsection (3) and none of the significance tests in that subsection is met, the acquisition is not a significant acquisition for purposes of this Instrument.
- (5) Despite subsection (3), the significance of an acquisition of a business, an acquisition of related businesses, a probable acquisition of a business or a probable acquisition of related businesses may be re-calculated only if, subsequent to the acquisition date, the business or related businesses remained substantially intact, were not significantly reorganized, and no significant assets and liabilities were transferred to other entities.
- (6) Despite subsection (2), the significance of an acquisition of a business, an acquisition of related businesses, a probable acquisition of a business or a probable acquisition of related businesses may be calculated using unaudited financial statements of the business or related business prepared in accordance with GAAP if the financial statements of the business or related businesses for the most recently completed financial year prior to the date of the acquisition have not been audited.
- (7) In determining whether an acquisition of related businesses or a probable acquisition of related businesses is a significant acquisition, the related businesses shall be considered on a combined basis.
- (8) If an issuer has accounted for an acquisition as a reverse take-over in accordance with Item 12.7 of Form 44-101F3 for the purposes of subsections (2) and (3), the legal parent, as that term is used in the Handbook, shall be considered the business.
- (9) **Application of Significance Tests – Accounting Principles and Currency** – For the purposes of the significance tests in subsections

(2) and (3), financial statements of the business or related businesses must be reconciled to the accounting principles used to prepare the issuer's financial statements and translated into the same reporting currency as that used in the issuer's financial statements.

1.3 Application of the Income Test

- (1) For the purposes of paragraph 3 of each of subsections 1.2(2) and 1.2(3), if any of the issuer, the business or the related businesses has incurred a loss, the test shall be applied using the absolute value of the loss.
- (2) For the purpose of calculating the significance of individually insignificant unrelated multiple acquisitions, entities reporting losses from continuing operations shall not be aggregated with entities reporting income from continuing operations.
- (3) **Lower than Average Income of the Issuer-Required Significance Tests** - For the purposes of paragraph 3 of subsection 1.2(2), if the issuer's consolidated income from continuing operations for the most recently completed financial year referred to in subsection 1.2(2) was
 1. positive, and
 2. lower by 20 per cent or more than the average consolidated income from continuing operations of the issuer for the three most recently completed financial years,

then, the average consolidated income for the three most recently completed financial years may, subject to subsection (6), be substituted in determining whether the significance test set out in subsection 1.2(2) is satisfied.

- (4) **Lower than Average Income of the Issuer - Optional Significance Tests Using Most Recently Completed Financial Year** - For the purposes of paragraph 3 of subsection 1.2(3), if the issuer's consolidated income from continuing operations for the most recently completed financial year referred to in subclause 3(b)(i) of subsection 1.2(3) was
 1. positive, and
 2. lower by 20 per cent or more than the average consolidated income from continuing operations of the issuer for the three most recently completed financial years,

then, the average consolidated income for the three most recently completed financial years may, subject to subsection (6), be substituted in determining whether the significance test set out in paragraph 3 of subsection 1.2(3) is satisfied.

- (5) **Lower than Average Income of the Issuer - Optional Significance Tests Using Most Recently Completed Twelve Months** - For the purposes of paragraph 3 of subsection 1.2(3), if the issuer's consolidated income from continuing operations for the most recently completed 12 month period referred to in subclause 3(b)(ii) of subsection 1.2(3) was

1. positive, and
2. lower by 20 per cent or more than the average consolidated income from continuing operations of the issuer for the three previous 12 month periods,

then, the average consolidated income for the three previous 12 month periods may, subject to subsection (6), be substituted in determining whether the significance test set out in paragraph 3 of subsection 1.2(3) is satisfied.

- (6) **Loss** - If the issuer's consolidated income from continuing operations for either of the two earlier financial years referred to in subsection (3) and (4), or either of the two earlier 12 month periods referred to in subsection (5), is a loss, the issuer's income from continuing operations for that period is considered to be zero for the purposes of calculating the average consolidated income for the three previous periods.

1.4 Probable Acquisitions

- (1) The term "probable acquisition" refers to a probable acquisition of a business and a probable acquisition of related businesses.
- (2) The term "significant probable acquisition" refers to a probable acquisition of a business or a probable acquisition of related businesses that is a significant acquisition under section 1.2.

1.5 Acquisitions - The term "acquisition of a business" includes an acquisition of an interest in a business accounted for using the equity method or an acquisition of an interest in a joint venture accounted for using the proportionate consolidation method.

1.6 Significant Dispositions

(1) **Dispositions** - Unless the context otherwise requires, the term "disposition" refers to a completed or probable disposition of a business, a business segment, or a significant portion of a business, either by sale, abandonment or distribution to shareholders.

(2) **Required Significance Tests using Most Recently Completed Financial Year** - For the purposes of this Instrument, a disposition of a business, a business segment or a significant portion of a business, is a significant disposition if it satisfies either of the following tests:

1. **The Asset Test for Dispositions** - The issuer's proportionate share of the consolidated assets of the business, business segment or significant portion of a business, exceeds 20 per cent of the consolidated assets of the issuer as at the date of the audited financial statements of the issuer for its most recently completed financial year ended before the date of the disposition for which financial statements are included in the short form prospectus, without giving effect to the disposition.
2. **The Income Test for Dispositions** - The issuer's proportionate share of the consolidated income from continuing operations of the business, business segment or significant portion of a business, for the most recently completed financial year of the business, business segment or significant portion of a business, before the date of the disposition exceeds 20 per cent of the total consolidated income from continuing operations of the issuer for the most recently completed financial year of the issuer before the date of the disposition for which financial statements are included in the short form prospectus, without giving effect to the disposition.

1.7 References to Information Included in a Document - References in this Instrument to information included in a document refer to both information contained directly in the document and information incorporated by reference in the document.

1.8 References to Information to be Included in a Document - Provisions of this Instrument that require an issuer to include information in a document

require an issuer either to insert the information directly in the document or to incorporate the information in the document by reference.

- 1.9 Incorporation by Reference** - A document deemed by this Instrument to be incorporated by reference in another document is conclusively deemed for purposes of securities legislation to be incorporated by reference in the other document.
- 1.10 Interpretation of "Short Form Prospectus"** - In this Instrument, unless otherwise stated, a reference to a short form prospectus includes a preliminary short form prospectus.

PART 2 QUALIFICATION TO FILE A PROSPECTUS IN THE FORM OF A SHORT FORM PROSPECTUS

2.1 Short Form Prospectus

- (1) An issuer shall not file a prospectus in the form of Form 44-101F3 Short Form Prospectus, unless the issuer is qualified under section 2.2, 2.3, 2.4, 2.5, 2.6, 2.7 or 2.8 to file a prospectus in the form of a short form prospectus.
- (2) An issuer that is qualified under section 2.2, 2.3, 2.4, 2.5, 2.6, 2.7 or 2.8 to file a prospectus in the form of a short form prospectus or that has been exempted from subsection (1) under section 15.1 may file
 - (a) a preliminary prospectus, prepared and certified in the form of Form 44-101F3 Short Form Prospectus, pertaining to a type of securities for which the issuer is qualified under this Instrument or permitted under any exemption to file a short form prospectus; and
 - (b) a prospectus, prepared and certified in the form of Form 44-101F3 Short Form Prospectus, pertaining to a type of securities for which the issuer is qualified under this Instrument or permitted under any exemption to file a short form prospectus.
- (3) An issuer that filed and obtained a receipt for a preliminary short form prospectus for a distribution of securities under NP47
 - (a) is considered to have satisfied the requirement in securities legislation to file and obtain a receipt for a preliminary prospectus for the distribution unless, in the case where

securities legislation provides for lapsing of a preliminary prospectus, the issuer's preliminary short form prospectus has lapsed; and

- (b) may file a prospectus, prepared and certified in the form of Form 44-101F3 Short Form Prospectus, for the distribution if in the case where securities legislation provides for lapsing of a preliminary prospectus, the issuer's preliminary short form prospectus has not lapsed.
- (4) If an issuer, before the coming into force of this Instrument, filed and obtained a receipt under NP47 for a short form prospectus pertaining to a distribution of securities, the prospectus requirement does not apply to the distribution only insofar as the prospectus requirement concerns the form and content of a preliminary prospectus and prospectus and only for one year from the date of the receipt issued for the short form prospectus pertaining to the distribution.
- (5) A short form prospectus shall, at the issuer's option, be prepared in accordance with securities legislation in effect at either the date of issuance of a receipt for the preliminary short form prospectus or the date of issuance of a receipt for the short form prospectus.

2.2 Basic Qualification Criteria - An issuer is qualified to file a prospectus in the form of a short form prospectus for a distribution of any of its securities in the local jurisdiction, if all of the following criteria are satisfied:

- 1. Either paragraph (a) or (b) is true:
 - (a) the issuer is a reporting issuer in the local jurisdiction and the issuer
 - (i) has been a reporting issuer in the local jurisdiction for the 12 calendar months preceding the date of the filing of its most recent AIF, or
 - (ii) is, and has been for the 12 calendar months preceding the date of the filing of its most recent AIF, a reporting issuer under Canadian securities legislation in at least one jurisdiction, other than the local jurisdiction, and has filed in the local jurisdiction all continuous disclosure documents that it was required to file during the 12 calendar months preceding the date of the filing of its most recent AIF under Canadian securities legislation of

any jurisdiction in which it has been a reporting issuer;
or

(b) all of the following are true:

1. The issuer is not a reporting issuer in the local jurisdiction.
 2. The securities regulatory authority is unable to deem the issuer to be, or designate the issuer as, a reporting issuer.
 3. The issuer is, and has been for the 12 calendar months preceding the date of the filing of its most recent AIF, a reporting issuer under Canadian securities legislation in at least one jurisdiction, other than the local jurisdiction.
 4. The issuer has filed in the local jurisdiction all continuous disclosure documents that it was required to file during the 12 calendar months preceding the date of the filing of its most recent AIF under Canadian securities legislation of any jurisdiction in which it has been a reporting issuer.
 5. The issuer has provided an undertaking to the securities regulatory authority that it will file all continuous disclosure documents that it would be required to file under securities legislation if it were a reporting issuer from the time of the filing of its most recent AIF until the issuer becomes a reporting issuer.
2. The issuer has a current AIF.
 3. The aggregate market value of the issuer's equity securities, listed and posted for trading on an exchange in Canada, is \$75,000,000 or more on a date within 60 days before the date of the filing of the issuer's preliminary short form prospectus.
 4. If the issuer is filing a preliminary short form prospectus more than 90 days after the end of its most recently completed financial year, the issuer has filed audited financial statements for that year.

2.3 Alternative Qualification Criteria for Substantial Issuers - An issuer is qualified to file a prospectus in the form of a short form prospectus for a distribution of any of its securities in the local jurisdiction, if all of the following criteria are satisfied:

1. The issuer is
 - (a) a reporting issuer in the local jurisdiction; or
 - (b) a reporting issuer under Canadian securities legislation in at least one jurisdiction, other than the local jurisdiction, and satisfies the criterion in subparagraph 5 of paragraph 1(b) of section 2.2.
2. The issuer has a current AIF.
3. The aggregate market value of the issuer's equity securities, listed and posted for trading on an exchange in Canada, is \$300,000,000 or more on a date within 60 days before the date of the filing of the issuer's preliminary short form prospectus.
4. If the issuer is filing a preliminary short form prospectus more than 90 days after the end of its most recently completed financial year, the issuer has filed audited financial statements for that year.

2.4 Alternative Qualification Criteria for Issuers of Approved Rating Non-Convertible Securities

- (1) An issuer is qualified to file a prospectus in the form of a short form prospectus for a distribution of non-convertible securities in the local jurisdiction, if all of the following criteria are satisfied:
 1. The issuer satisfies either of the 12 month reporting issuer history criteria in paragraph 1 of section 2.2.
 2. The issuer has a current AIF.
 3. The securities to be distributed
 - (a) have received an approved rating on a provisional basis;
 - (b) are not the subject of an announcement by an approved rating organization of which the issuer is or ought reasonably to be aware that the approved rating given by the organization may be down-graded

to a rating category that would not be an approved rating; and

- (c) have not received a provisional or final rating lower than an approved rating from any approved rating organization.
4. If the issuer is filing a preliminary short form prospectus more than 90 days after the end of its most recently completed financial year, the issuer has filed audited financial statements for that year.
- (2) Paragraph 3 of subsection (1) does not apply to an issuer filing a preliminary short form prospectus that is a base shelf prospectus under National Instrument 44-102 Shelf Distributions.

2.5 Alternative Qualification Criteria for Issuers of Guaranteed Non-Convertible Debt Securities, Preferred Shares and Cash Settled Derivatives

- (1) An issuer is qualified to file a prospectus in the form of a short form prospectus for a distribution of non-convertible debt securities, non-convertible preferred shares or non-convertible cash settled derivatives in the local jurisdiction, if all of the following criteria are satisfied:
- 1. A person or company
 - (a) fully and unconditionally guarantees the payments to be made by the issuer of securities as stipulated in the terms of the securities or in an agreement governing the rights of holders of the securities such that the holder of the securities is entitled to receive payment from the guarantor within 15 days of any failure by the issuer to make a payment as stipulated; or
 - (b) provides alternative credit support for the payments to be made by the issuer of securities as stipulated in the terms of the securities or in an agreement governing the rights of holders of the securities, that
 - (i) in the case
 - (A) where the securities are rated, results in the securities receiving the same credit rating as, or a higher credit rating than, the credit

rating they would have received if payment had been fully and unconditionally guaranteed by the person or company providing the support, or

(B) where the securities are not rated, would result, if the securities were rated, in the securities receiving the same credit rating as, or a higher credit rating than, the credit rating they would have received if payment had been fully and unconditionally guaranteed by the credit supporter, and

(ii) entitles the holder of the securities to receive payment from the credit supporter, or enables the holder to receive payment from the issuer, within 15 days of any failure by the issuer to make a payment as stipulated.

2. The credit supporter

(a) satisfies

(i) either of the 12 month reporting issuer history criteria in paragraph 1 of section 2.2, or

(ii) both

(A) the reporting issuer criterion in paragraph 1 of section 2.3, and

(B) the criterion that the credit supporter have equity securities, listed and posted for trading on an exchange in Canada, the aggregate market value of which is \$300,000,000 or more on a date within 60 days before the date of the filing of the issuer's preliminary short form prospectus; and

(b) has a current AIF.

3. Unless the aggregate market value of the credit supporter's equity securities listed and posted for trading on an exchange

in Canada is \$75,000,000 or more on a date within 60 days before the date of the filing of the issuer's preliminary short form prospectus, then at the time the preliminary short form prospectus was filed

(a) the credit supporter has outstanding non-convertible securities that

- (i) have received an approved rating,
- (ii) have not been the subject of an announcement by an approved rating organization of which the issuer is or ought reasonably to be aware that the approved rating given by the organization may be down-graded to a rating category that would not be an approved rating, and
- (iii) have not received a rating lower than an approved rating from any approved rating organization; and

(b) the securities to be issued by the issuer

- (i) have received an approved rating on a provisional basis,
- (ii) have not been the subject of an announcement by an approved rating organization of which the issuer is or ought reasonably to be aware that the approved rating given by the organization may be down-graded to a rating category that would not be an approved rating, and
- (iii) have not received a provisional or final rating lower than an approved rating from any approved rating organization.

4. If the issuer is filing a preliminary short form prospectus more than 90 days after the end of the most recently completed financial year of the credit supporter, the credit supporter has filed audited financial statements for that year.

(2) For the purpose of paragraph 1 of subsection (1), payments to be made by an issuer of securities as stipulated in the terms of the securities include any amounts to be paid as dividends in

accordance with, and on the dividend payment dates stipulated in, the provisions of the securities, whether or not the dividends have been declared.

- (3) Subparagraph 3(b) of subsection 2.5(1) does not apply to an issuer filing a preliminary short form prospectus that is a base shelf prospectus under National Instrument 44-102 Shelf Distributions.

2.6 Alternative Qualification Criteria for Issuers of Guaranteed Convertible Debt Securities or Preferred Shares

- (1) An issuer is qualified to file a prospectus in the form of a short form prospectus for a distribution of convertible debt securities or convertible preferred shares in the local jurisdiction, if all of the following criteria are satisfied:
 - 1. The debt securities or the preferred shares are convertible into securities of a credit supporter that
 - (a) fully and unconditionally guarantees the payments to be made by the issuer of the securities as stipulated in the terms of the securities or in an agreement governing the rights of holders of the securities such that the holder of the securities is entitled to receive payment from the guarantor within 15 days of any failure by the issuer to make a payment as stipulated; or
 - (b) provides alternative credit support for the payments to be made by the issuer of the securities as stipulated in the terms of the securities or in an agreement governing the rights of holders of the securities, that
 - (i) in the case
 - (A) where the securities are rated, results in the securities receiving the same credit rating as, or a higher credit rating than, the credit rating they would have received if payment had been fully and unconditionally guaranteed by the credit supporter, or
 - (B) where the securities are not rated, would result, if the securities were rated, in the

securities receiving the same credit rating as, or a higher credit rating than, the credit rating they would have received if payment had been fully and unconditionally guaranteed by the credit supporter, and

- (ii) entitles the holder of the securities to receive payment from the credit supporter, or enables the holder to receive payment from the issuer, within 15 days of any failure by the issuer to make a payment as stipulated.

2. The credit supporter

- (a) satisfies

- (i) both

- (A) either of the 12 month reporting issuer history criteria in paragraph 1 of section 2.2, and

- (B) the criterion that the credit supporter have equity securities, listed and posted for trading on an exchange in Canada, the aggregate market value of which is \$75,000,000 or more on a date within 60 days before the date of the filing of the issuer's preliminary short form prospectus, or

- (ii) both

- (A) the reporting issuer criterion in paragraph 1 of section 2.3, and

- (B) the criterion that the credit supporter have equity securities, listed and posted for trading on an exchange in Canada, the aggregate market value of which is \$300,000,000 or more on a date within 60 days before the date of the filing of the issuer's preliminary short form prospectus; and

- (b) has a current AIF.
- 3. If the issuer is filing a preliminary short form prospectus more than 90 days after the end of the most recently completed financial year of the credit supporter, the credit supporter has filed audited financial statements for that year.
- (2) For the purpose of paragraph 1 of subsection (1), payments to be made by an issuer of securities as stipulated in the terms of the securities include any amounts to be paid as dividends in accordance with, and on the dividend payment dates stipulated in, the provisions of the securities, whether or not the dividends have been declared.

2.7 Alternative Qualification Criteria for Issuers of Asset-Backed Securities

- (1) An issuer established in connection with a distribution of asset-backed securities is qualified to file a prospectus in the form of a short form prospectus for a distribution of asset-backed securities in the local jurisdiction, if all of the following criteria are satisfied:
 - 1. The issuer has a current AIF.
 - 2. The asset-backed securities to be distributed
 - (a) have received an approved rating on a provisional basis;
 - (b) have not been the subject of an announcement by an approved rating organization of which the issuer is or ought reasonably to be aware that the approved rating given by the organization may be down-graded to a rating category that would not be an approved rating; and
 - (c) have not received a provisional or final rating lower than an approved rating from any approved rating organization.
 - 3. If the issuer is filing a preliminary short form prospectus more than 90 days after the end of its most recently completed financial year, the issuer has filed financial statements for that year.

- (2) Paragraph 2 of subsection 2.7(1) does not apply to an issuer filing a preliminary short form prospectus that is a base shelf prospectus under National Instrument 44-102 Shelf Distributions.

2.8 Alternative Qualification Criteria Following Reorganizations - A successor issuer is qualified to file a prospectus in the form of a short form prospectus for a distribution of any of its securities in the local jurisdiction, if all of the following criteria are satisfied:

1. The successor issuer is deemed, under section 2.10, to have, or otherwise has, a current AIF.
2. The successor issuer is a reporting issuer under Canadian securities legislation of any jurisdiction.
3. The aggregate market value of the successor issuer's equity securities, listed and posted for trading on an exchange in Canada, is \$75,000,000 or more on a date within 60 days before the date of the filing of the successor issuer's preliminary short form prospectus.
4. The aggregate market value of the equity securities of at least one of the participants, listed and posted for trading on an exchange in Canada, is \$75,000,000 or more on a date within 60 days before the date of the reorganization.
5. One of the participants satisfies the criterion in paragraph 4 and the 12 month reporting issuer history criterion in paragraph 1 of section 2.2.
6. If the successor issuer is filing a preliminary short form prospectus more than 90 days after the end of its most recently completed financial year, the successor issuer has filed audited financial statements for that year.

2.9 Calculation of the Aggregate Market Value of an Issuer's Securities

- (1) For the purposes of this Part,
 - (a) the aggregate market value of the equity securities of an issuer on a date is the aggregate of the market value of each class of its equity securities on the date, calculated by multiplying
 - (i) the total number of equity securities of the class outstanding on the date, by

- (ii) the closing price on the date of the equity securities of the class on the exchange in Canada on which that class of equity securities is principally traded; and
- (b) instalment receipts may, at the option of the issuer, be deemed to be equity securities if
 - (i) the instalment receipts are listed and posted for trading on an exchange in Canada, and
 - (ii) the outstanding equity securities, the beneficial ownership of which is evidenced by the instalment receipts, are not listed and posted for trading on an exchange in Canada.
- (2) For the purposes of subsection (1), in calculating the total number of equity securities of a class outstanding, an issuer shall exclude those equity securities of the class that are beneficially owned, or over which control or direction is exercised, by persons or companies that, alone or together with their respective affiliates and associated parties, beneficially own or exercise control or direction over more than 10 per cent of the outstanding equity securities of the issuer.
- (3) Despite subsection (2), if a portfolio manager of a pension fund, mutual fund or non-redeemable investment fund, alone or together with its affiliates and associated parties, exercises control or direction in the aggregate over more than 10 per cent of the outstanding equity securities of an issuer, and the fund beneficially owns or exercises control or direction over 10 per cent or less of the issued and outstanding equity securities of the issuer, the securities that the fund beneficially owns or exercises control or direction over are not excluded unless the portfolio manager is an affiliate of the issuer.

2.10 Adoption by Successor Issuer of a Participant's AIF Following a Reorganization - A successor issuer that notifies the regulator that it has adopted as its own AIF the AIF of a participant in the reorganization, as a result of which the successor issuer exists, is deemed to have a current AIF for the purposes of securities legislation, if the AIF was a current AIF of the participant at the time of the reorganization, until the earlier of

- (a) the date the successor issuer files an AIF; and
- (b) either

- (i) the date the AIF ceases to be a current AIF of the participant, if the participant continues to exist after the reorganization, or
- (ii) the date that is 140 days following the end of the financial year to which the AIF relates, if the participant did not continue to exist after the reorganization.

PART 3 AIF

3.1 Initial AIF

- (1) An issuer filing an initial AIF under this Instrument shall file the AIF
 - (a) in Form 51-102F2;
 - (b) in respect of financial years beginning before January 1, 2004, in Form 51-102F2 or Form 44-101F1; or
 - (c) in the form referred to in section 3.4.
- (2) If an issuer revises its initial AIF, the issuer shall promptly
 - (a) file in all jurisdictions in which the initial AIF was filed the revised initial AIF and a copy of the revised initial AIF, blacklined to show changes from the initial AIF; and
 - (b) send a copy of the revised initial AIF to each person and company that was sent an initial AIF.
- (3) An issuer shall file a French language version of its initial AIF before sending the French language version of the AIF to an investor or prospective investor.
- (4) An issuer that has prepared a French language version of its initial AIF shall file the French language version of the initial AIF and any supporting documents in New Brunswick concurrently with or as soon as practicable after filing the English language version of those documents in that Province.

3.2 Renewal AIF Filing Procedures

- (1) An issuer filing a renewal AIF under this Instrument shall file the AIF
 - (a) in Form 51-102F2;

- (b) in respect of financial years beginning before January 1, 2004, in Form 51-102F2 or Form 44-101F1; or
 - (c) in the form referred to in section 3.4.
- (2) An issuer filing a renewal AIF for a financial year in which the issuer made a significant acquisition of a business or a significant acquisition of related businesses, or was a party to a reorganization that was material to the issuer, shall state in a covering letter accompanying the renewal AIF that the acquisition or reorganization occurred.
- (3) An issuer that intends to file a preliminary short form prospectus within 10 days of filing its renewal AIF should notify the 44-101 regulator of this intention at the time of filing its renewal AIF or, if the decision is not yet made at that time, then immediately upon making the decision.
- (4) The 44-101 regulator may decide to review a renewal AIF at any time, in which case the 44-101 regulator shall
 - (a) notify the issuer that the 44-101 regulator will be reviewing the renewal AIF;
 - (b) review the renewal AIF; and
 - (c) send the issuer upon completion of the review a notice that the review of the renewal AIF has been completed.
- (5) Upon receipt of a notice from the 44-101 regulator that its renewal AIF is being reviewed, an issuer shall promptly file the renewal AIF again, in all jurisdictions in which the renewal AIF was filed, with
 - (a) the following statement added in bold type to the cover page of the renewal AIF, if the renewal AIF is in Form 51-102F2, until the issuer is notified that the review has been completed:

"This annual information form is currently under review by the provincial and territorial securities regulatory authorities of one or more jurisdictions. Information contained in this form is subject to change.", or
 - (b) the statement required under Item 1.2 of Form 44-101F1, if the renewal AIF is in Form 44-101F1.

- (6) An issuer shall promptly notify the 44-101 regulator if the issuer intends to file a short form prospectus after the 44-101 regulator has notified the issuer that its renewal AIF will be reviewed and before the 44-101 regulator has notified the issuer that the review has been completed.
- (7) If an issuer revises its renewal AIF, the issuer shall promptly
 - (a) file in all jurisdictions in which the renewal AIF was filed the revised renewal AIF and a copy of the revised renewal AIF, blacklined to show changes from the renewal AIF; and
 - (b) send a copy of the revised renewal AIF to each person and company that was sent a renewal AIF.
- (8) An issuer shall file a French language version of its renewal AIF before sending the French language version of the AIF to an investor or prospective investor.
- (9) An issuer that has prepared a French language version of its renewal AIF shall file the French language version of the renewal AIF and any supporting documents in New Brunswick concurrently with or as soon as practicable after filing the English language version of those documents in that Province.

3.3 Supporting Documents

- (1) In addition to any other requirement of securities legislation, an issuer that files an initial AIF and a renewal AIF shall
 - (a) file the following:
 - 1. **Material Incorporated by Reference** - Copies of all material incorporated by reference in the initial AIF or renewal AIF and not previously filed.
 - 2. **Mining Reports** - The technical reports required to be filed with an AIF under National Instrument 43-101 Standards of Disclosure for Mineral Projects and not previously filed, if the issuer has a mineral project; and
 - (b) deliver to the regulator the following:
 - 1. **Personal Information** - For each director and executive officer of the issuer for whom the issuer has not

previously delivered to the regulator the following information, a statement containing that individual's

- (a) full name;
- (b) position with or relationship to the issuer;
- (c) employer's name and address, if other than the issuer;
- (d) full residential address;
- (e) date and place of birth; and
- (f) citizenship.

2. Authorization of Collection of Information - An authorization in the form set out in Appendix A to the collection of personal information.

- (2) An issuer that files an AIF under this Instrument shall file an undertaking with the regulator to the effect that, when the securities of the issuer are in the course of a distribution under a preliminary short form prospectus or a short form prospectus, the issuer will provide to any person or company, upon request to the secretary of the issuer,
 - (a) one copy of the AIF of the issuer, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF,
 - (b) one copy of the financial statements of the issuer for its most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditor and one copy of the most recent interim financial statements of the issuer that have been filed, if any, for any period after the end of its most recently completed financial year,
 - (c) one copy of the information circular of the issuer in respect of its most recent annual meeting of shareholders that involved the election of directors, and
 - (d) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided

under paragraphs (a), (b) or (c).

3.4 Alternative Forms of AIF – An issuer that

- (a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act, and
- (b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America,

may file an AIF in the form of an annual report or transition report under the 1934 Act on Form 10-K, Form 10-KSB or on Form 20-F.

PART 4 DISCLOSURE IN A SHORT FORM PROSPECTUS OF FINANCIAL STATEMENTS FOR SIGNIFICANT ACQUISITIONS

4.1 Scope - This Part applies only to

- (a) acquisitions completed during an issuer's three most recently completed financial years;
- (b) acquisitions completed during an issuer's current financial year; and
- (c) probable acquisitions.

4.2 Financial Statement Disclosure for Significant Acquisitions Completed During the Issuer's Three Most Recently Completed Financial Years

- (1) If an issuer made a significant acquisition during its three most recently completed financial years, the issuer shall include in its short form prospectus the following financial statements of each business acquired:

Annual Financial Statements

- 1. Statements of income, retained earnings and cash flows for at least the periods specified in section 4.6.

Interim Financial Statements

- 2. Statements of income, retained earnings and cash flows for
 - (a) Either

- (i) the most recently completed interim period of the acquired business that ended before the date of the acquisition and more than 60 days before the date of the short form prospectus; or
- (ii) the pre-acquisition period; and
- (b) the comparable period in the preceding financial year of the acquired business.

Pro Forma Income Statement

- 3. A *pro forma* income statement prepared in accordance with subsection 4.5(1)2(a).
- 4. *Pro forma* earnings per share based on the *pro forma* income statement referred to in paragraph 3.
- (2) If an issuer is required under subsection (1) to include financial statements in a short form prospectus for more than one business because the significant acquisition involves an acquisition of related businesses, the financial statements required under subsection (1) shall be presented separately for each business, except that the issuer may present the financial statements of the businesses on a combined basis for the periods during which the businesses were under common control or management.

4.3 Financial Statement Disclosure for Significant Acquisitions Completed During the Issuer's Current Financial Year

- (1) If an issuer has made a significant acquisition during its current financial year, the issuer shall include in its short form prospectus the following financial statements of each business acquired:

Annual Financial Statements

- 1. Statements of income, retained earnings and cash flows for at least the periods specified in section 4.6.
- 2. A balance sheet as at the date on which each of the periods specified in section 4.6 ended, except that, if section 4.6 specifies that separate financial statements of the business are to be included for three financial years, a balance sheet as at the last day of the earliest of the three financial years is not required.

Interim Financial Statements

3. Statements of income, retained earnings and cash flows for
 - (a) either
 - (i) the most recently completed interim period of the acquired business that ended before the date of the acquisition and more than 60 days before the date of the short form prospectus; or
 - (ii) the pre-acquisition period; and
 - (b) the comparable period in the preceding financial year of the acquired business.
4. A balance sheet as at the date on which the interim period referred to in paragraph 3(a)(i) or 3(a)(ii) ended.

***Pro Forma* Financial Statements**

5. *Pro forma* financial statements prepared in accordance with subsection 4.5.
 6. *Pro forma* earnings per share based on the *pro forma* financial statements referred to in paragraph 5.
- (2) If an issuer is required under subsection (1) to include financial statements in a short form prospectus for more than one business because the significant acquisition involves an acquisition of related businesses or a probable acquisition of related businesses, the financial statements required under subsection (1) shall be presented separately for each business except the issuer may present the financial statements of the businesses on a combined basis for the periods during which the businesses have been under common control or management.

4.4 Financial Statement Disclosure for Significant Probable Acquisitions

- (1) If an issuer is proposing to make a significant probable acquisition, the issuer shall include in its short form prospectus the following financial statements of each business to be acquired:

Annual Financial Statements

1. Statements of income, retained earnings and cash flows for at least the periods specified in section 4.6.
2. A balance sheet as at the date on which each of the periods specified in section 4.6 ended, except that, if section 4.6 specifies that separate financial statements of the business are to be included for three financial years, a balance sheet as at the last day of the earliest of the three financial years is not required.

Interim Financial Statements

3. Statements of income, retained earnings and cash flows for
 - (a) the most recently completed interim period of the business to be acquired that ended more than 60 days before the date of the short form prospectus; and
 - (b) the comparable period in the preceding financial year.
4. A balance sheet as at the date on which the interim period referred to in paragraph 3(a) ended.

***Pro Forma* Financial Statements**

5. *Pro forma* financial statements prepared in accordance with subsection 4.5.
 6. *Pro forma* earnings per share based on the *pro forma* financial statements referred to in paragraph 5.
- (2) If an issuer is required under subsection (1) to include financial statements in a short form prospectus for more than one business because the significant acquisition involves an acquisition of related businesses or a probable acquisition of related businesses, the financial statements required under subsection (1) shall be presented separately for each business, except the issuer may present the financial statements of the businesses on a combined basis for periods during which the businesses have been under common control or management.

4.5 *Pro Forma* Financial Statements

(1) If an issuer is required to include *pro forma* financial statements in the short form prospectus under sections 4.2, 4.3, 4.4 or 5.2, the issuer shall prepare *pro forma* financial statements as follows:

1. ***Pro forma balance sheet*** - A *pro forma* balance sheet of the issuer shall be prepared as at the date of the issuer's most recent balance sheet included in the short form prospectus to give effect to, as if they had taken place as at the date of the *pro forma* balance sheet,

(a) significant acquisitions that have been completed, but are not reflected in the issuer's most recent balance sheet included in the short form prospectus; and

(b) significant probable acquisitions.

2. ***Pro forma income statement*** - A *pro forma* income statement of the issuer shall be prepared to give effect to

(a) significant acquisitions completed during the most recently completed financial year of the issuer as if they had taken place at the beginning of the most recently completed financial year of the issuer for which audited financial statements are included in the short form prospectus; and

(b) the acquisitions referred to in clauses (i) and (ii)

(i) significant acquisitions completed during the issuer's current financial year; and

(ii) significant probable acquisitions,

for each of the financial periods referred to in the following paragraphs:

(A) the most recently completed financial year of the issuer for which audited financial statements are included in the short form prospectus; and

(B) the most recently completed interim period of the issuer for which financial

statements are included in the short form prospectus,

as if they had taken place at the beginning of the most recently completed financial year of the issuer for which audited financial statements are included in the short form prospectus.

- (2) If an issuer includes in a short form prospectus a *pro forma* financial statement prepared in accordance with subsection (1) which gives effect to more than one significant acquisition or significant probable acquisition, the *pro forma* financial statement shall separately identify each significant completed or probable acquisition.
- (3) If an issuer is required to include *pro forma* financial statements in a short form prospectus, the issuer shall include in the *pro forma* financial statements a description of the underlying assumptions on which the *pro forma* financial statements are prepared, cross-referenced to each related *pro forma* adjustment.
- (4) If an issuer is required under paragraph 2 of subsection (1) to include a *pro forma* income statement in a short form prospectus for the most recently completed financial year of the issuer and both of the following conditions are satisfied:
 - (a) the *pro forma* income statement is not prepared using the income statement of the business for the pre-acquisition period, and
 - (b) the financial year end of a business differs from the issuer's year end by more than 93 days, then, despite paragraph 2 of subsection (1), for purposes of preparing the *pro forma* income statement, the income statement of the business shall be for a period of twelve consecutive months ending no more than 93 days from the issuer's year end.
- (5) Subject to subsection (4), if an issuer is required to prepare the *pro forma* income statements referred to in clauses (1)2(b)A and (1)2(b)B, and the *pro forma* income statement referred to in clause A includes results of the business which are also included in the *pro forma* income statement referred to in clause B, there shall be disclosed in a note to the *pro forma* financial statements the revenue, expenses, gross profit and income from continuing

operations included in the *pro forma* income statements for the overlapping period.

4.6 Reporting Periods

- (1) **Exception to Requirement to Include Financial Statements** - No financial statements are required under section 4.2 to be included in a short form prospectus if
 - (a) the results of the business for a complete financial year have been reflected in the audited consolidated financial statements of the issuer included in the short form prospectus; and
 - (b) none of the significance tests would be satisfied if the 20 per cent threshold in the significance tests was changed to 100 per cent.
- (2) **Acquisitions at the 100% Significance Level** - If the results of the business for a complete financial year have been reflected in the audited consolidated financial statements of the issuer included in the short form prospectus and any of the significance tests would be satisfied if the 20 per cent threshold in the significance tests was changed to 100 per cent, separate financial statements of the business are required for as many periods before the acquisition as may be necessary so that when these periods are added to the periods for which the issuer's financial statements in the short form prospectus include the results of the business, financial statements reflecting the results of the business, either separately or on a consolidated basis, are included for a total of three years or each of the completed financial years of the business, if the business has not been in existence for three completed financial years.
- (3) Subject to subsections (1) and (2), the periods for which the financial statements are required under paragraphs 1 and 2 of subsections 4.2(1), 4.3(1) and 4.4(1) to be included in a short form prospectus shall be determined by reference to the significance tests as follows:
 1. **Acquisitions Significant between 20% and 40%** - If none of the significance tests is satisfied if the 20 per cent threshold is changed to 40 per cent, financial statements shall be included for
 - (a) the most recently completed financial year of the

business ended more than 90 days before the date of the short form prospectus; or

- (b) if the business has not completed one financial year, the financial period from the date of formation to a date not more than 90 days before the date of the short form prospectus.

2. **Acquisitions Significant between 40% and 50%** - If any of the three significance tests are satisfied if the 20 per cent threshold is changed to 40 per cent, but none of the three significance tests is satisfied if the 20 per cent threshold is changed to 50 per cent, financial statements shall be included for

- (a) each of the three most recently completed financial years of the business ended more than 90 days before the date of the short form prospectus;
- (b) if the business has not completed two financial years, each completed financial year ended more than 90 days before the date of the short form prospectus; or
- (c) if the business has not completed one financial year, the financial period from the date of formation to a date not more than 90 days before the date of the short form prospectus.

3. **Acquisitions Significant at 50% or greater** - If any of the three significance tests are satisfied if the 20 per cent threshold is changed to 50 per cent, financial statements shall be included for

- (a) each of the three most recently completed financial years of the business ended more than 90 days before the date of the short form prospectus;
- (b) if the business has not completed three financial years, each completed financial year ended more than 90 days before the date of the short form prospectus; or
- (c) if the business has not completed one financial year, the financial period from the date of formation to a date not more than 90 days before the date of the short form prospectus.

4.7 Additional Financial Statements or Financial Information of the Business Filed or Released

- (1) An issuer shall include in its short form prospectus annual and interim financial statements of a business for a financial period that ended before the date of the acquisition and is more recent than the periods for which financial statements are required under subsections 4.2(1), 4.3(1) and 4.4(1) if, before the short form prospectus is filed, the financial statements for the more recent period have been filed.
- (2) If, before the short form prospectus is filed, financial information of a business for a period more recent than for the period for which financial statements are required under subsections 4.2(1), 4.3(1) and 4.4(1), is publicly disseminated by news release or otherwise by or on behalf of the issuer, the issuer shall include in the short form prospectus the content of the news release or public communication.

4.8 Exceptions to Disclosure Requirements for Significant Acquisitions if More Recent Financial Statements Included

- (1) Despite subsection 4.6(3), an issuer may omit separate financial statements of a business for the earliest financial year otherwise required under subsection 4.6(3), if audited financial statements of the business are included in the short form prospectus for a financial year ended 90 days or less before the date of the short form prospectus.
- (2) Despite subsection 4.6(3), an issuer may omit separate financial statements of a business for the earliest financial year otherwise required under subsection 4.6(3) if
 - (a) separate financial statements of a business are required under subsection 4.6(3) for more than one financial year;
 - (b) audited financial statements are included in the short form prospectus for a period of at least nine months in the financial year after the most recent year for which separate financial statements are required under subsection 4.6(3);
 - (c) the issuer has not relied upon the exception in section 4.9; and
 - (d) the business is not seasonal.

- (3) Despite subsections 4.2(1), 4.3(1) and 4.4(1), an issuer may omit from a short form prospectus the financial statements of a business for the interim period otherwise required under subsections 4.2(1), 4.3(1) and 4.4(1) if annual financial statements of the business are included in the short form prospectus for a financial year ended 90 days or less before the date of the short form prospectus.

4.9 Exception to Disclosure Requirements for Significant Acquisitions if Financial Year End Changed - Despite section 4.6, if a business changed its financial year end once during any of its financial years for which financial statements are required to be included in the short form prospectus, the issuer may include financial statements for the transition year in satisfaction of the financial statements for one of the years under section 4.6 provided that the transition year is at least nine months.

4.10 Exception to Disclosure Requirements for Significant Acquisitions Accounted for Using the Equity Method - Despite subsections 4.2(1), 4.3(1) and 4.4(1), an issuer may omit from its short form prospectus the financial statements of a business and the *pro forma* financial statements of an issuer otherwise required under subsections 4.2(1), 4.3(1) and 4.4(1) if

- (a) the acquisition is, or will be, an investment accounted for using the equity method, as that term is defined in the Handbook;
- (b) the short form prospectus includes disclosure for the periods for which financial statements are otherwise required under subsections 4.2(1), 4.3(1) and 4.4(1) that
 - (i) summarizes the assets, liabilities and results of operations of the business, and
 - (ii) describes the issuer's proportionate interest in the business and any contingent issuance of securities by the business that might significantly affect the issuer's share of earnings;
- (c) the financial information provided under paragraph (b) for any completed financial year
 - (i) has been derived from audited financial statements of the business, or
 - (ii) has been audited;
- (d) the short form prospectus

- (i) identifies the financial statements referred to in paragraph (c)(i) from which the disclosure provided under paragraph (b) has been derived; or
- (ii) discloses that the financial information provided under paragraph (b), if not derived from audited financial statements, has been audited; and
- (iii) discloses that the audit opinion with respect to the financial statements referred to in (i), or the financial information referred to in (ii), was issued without a reservation of opinion.

4.11 Additional Disclosure for Significant Acquisitions After Financial Year End Accounted for Using the Purchase Method

- (1) An issuer shall include in a subsequent event note to its financial statements included in a short form prospectus or elsewhere in a short form prospectus the information referred to in subsection (2), if
 - (a) the issuer has made a significant acquisition since its most recent financial year end; and
 - (b) the purchase method is used to account for the acquisition.
- (2) The information required under subsection (1) is
 - (a) if
 - (i) determined by the date of the subsequent event note, details of the purchase equation, namely the allocation of the purchase price to the underlying assets being acquired, the underlying liabilities being assumed and any resulting goodwill, or
 - (ii) not determined by the date of the subsequent event note, the issuer's reasonable estimate of the allocation; and
 - (b) the terms and status of the acquisition.

4.12 Audit Requirement for Financial Statements of a Business - Financial statements of a business included in a short form prospectus under this Part, other than *pro forma* financial statements, must be audited.

4.13 Exception to Audit Requirement for Interim Financial Statements of a Business - Despite section 4.12, interim financial statements of a business

included in a short form prospectus under this Part do not have to be audited.

4.14 Exception to Audit Requirement for Recent Financial Statements of a Business - Despite section 4.12, an issuer may omit from its short form prospectus an audit report for the annual financial statements referred to in subsection 4.8(3) if the financial statements have not been audited.

4.15 Exception to Audit Requirement for Financial Statements of a Business Included in a Previous Prospectus without an Audit Opinion - Despite section 4.12, an issuer may omit from its short form prospectus an auditor's report for the annual financial statements of a business included in the short form prospectus, other than for the most recently completed financial year of the business for which financial statements are included in the short form prospectus, if

- (a) those financial statements were previously included in a short form prospectus of the issuer without an audit report as permitted by this Instrument or pursuant to an exemption granted under this Instrument; and
- (b) the financial statements have not been audited.

4.16 Compilation Report for Pro Forma Financial Statements -The *pro forma* financial statements included in a short form prospectus under this Part shall be accompanied by a compilation report signed by the auditor and prepared in accordance with the Handbook.

PART 5 FINANCIAL STATEMENT DISCLOSURE FOR MULTIPLE ACQUISITIONS THAT ARE NOT OTHERWISE SIGNIFICANT OR RELATED

5.1 Scope - This Part applies only to an issuer that

- (a) has acquired two or more businesses during its most recently completed financial year;
- (b) has acquired two or more business during its current financial year;
- (c) is proposing to make two or more probable acquisitions of a business; or

- (d) has acquired one or more businesses since the beginning of its current financial year and is proposing to make one or more probable acquisitions of a business,

excluding, in each case, acquisitions that individually meet the significance tests.

5.2 Historical Financial Statement Disclosure

- (1) **Application of the Significance Tests** - An issuer shall include in a short form prospectus separate financial statements of each business required under subsection (2) for the periods referred to in subsection (3) if any of the significance tests would be satisfied if
 - (a) the 20 per cent threshold in the significance tests was changed to 50 per cent;
 - (b) the total consolidated assets of the businesses referred to in section 5.1 were considered on a combined basis;
 - (c) the issuer's consolidated investments in and advances to the businesses referred to in section 5.1 were considered on a combined basis; and
 - (d) the consolidated income from continuing operations of the businesses referred to in section 5.1 for the most recently completed financial year of each business ended prior to the acquisition date of each business were considered on a combined basis.
- (2) **Significant Businesses for Reporting Purposes** - An issuer shall include in a short form prospectus the financial statements for a majority of the businesses that satisfy the asset, investment or income test at the highest percentage and which on a combined basis, represent a majority of
 - (a) the total consolidated assets of all of the businesses referred to in section 5.1;
 - (b) the issuer's consolidated investments in and advances to all of the businesses referred to in section 5.1; or
 - (c) the consolidated income from continuing operations of all of the businesses referred to in section 5.1.

- (3) An issuer shall include the following financial statements for each business required under subsection (2):

Annual Financial Statements

1. Statements of income, retained earnings, and cash flows for
 - (a) the most recently completed financial year of the business before the date of the acquisition, if the acquisition was completed more than 90 days before the date of the short form prospectus;
 - (b) the most recently completed financial year of the business ended more than 90 days before the date of the short form prospectus, if the acquisition either has not been completed at the date of the short form prospectus or was completed 90 days or less before the date of the short form prospectus; or
 - (c) if a business has not completed one financial year, the financial period from the date of formation to a date not more than 90 days before the date of the short form prospectus.
2. A balance sheet as at the date on which the periods referred to in paragraph 1 ended.

Interim Financial Statements

3. Statements of income, retained earnings and cash flows for
 - (a) the most recently completed interim period of the business ended before the date of the acquisition or the proposed date of the acquisition and more than 60 days before the date of the short form prospectus; or
 - (b) the pre-acquisition period.
4. A balance sheet as at the date on which the period referred to in paragraph 3 ended.

***Pro Forma* Financial Statements**

5. *Pro forma* financial statements prepared in accordance with section 4.5.

6. *Pro forma* earnings per share based on the financial statement referred to in paragraph 5.

- (4) Despite subsection (3), if the business was acquired before the date of the most recent audited balance sheet of the issuer included in the short form prospectus, the issuer may omit from the short form prospectus the balance sheets of the business referred to in paragraphs 2 and 4.

5.3 Additional Financial Statements or Financial Information of the Business Filed or Released

- (1) An issuer shall include in its short form prospectus annual and interim Financial statements of a business for a financial period that ended before the date of the acquisition and is more recent than the periods for which financial statements are required under section 5.2 if, before the short form prospectus is filed, the financial statements for the more recent period have been filed.
- (2) If, before the short form prospectus is filed, financial information of a business for a period more recent than the period for which financial statements are required under section 5.2 is publicly disseminated by news release or otherwise by, or on behalf of, the issuer, the issuer shall include in the short form prospectus the content of the news release or public communication.

5.4 Exceptions to Disclosure Requirements for Multiple Acquisitions if More Recent Financial Statements Included

- (1) Despite section 5.2, an issuer may omit from a short form prospectus, the financial statements of a business for the financial year otherwise required under subsection 5.2(3) if audited financial statements of the business are included in the short form prospectus for a financial year ended 90 days or less before the date of the short form prospectus.
- (2) Despite section 5.2, an issuer may omit from a short form prospectus the financial statements of a business for the interim period otherwise required under subsection 5.2(3) if annual financial statements of the business are included in the short form prospectus for a financial year ended 90 days or less before the date of the short form prospectus.

5.5 Exception to Disclosure Requirements for Multiple Acquisitions if Financial Year End Changed - Despite section 5.2, if a business changed its financial

year end during the year for which financial statements are required to be included in the short form prospectus, the issuer may include financial statements for the transition year in satisfaction of the financial statements for the year under paragraphs 1(a) and 1(b) of subsection 5.2(3) provided that the transition year is at least nine months.

- 5.6 Audit Requirement for Financial Statements of a Business** - Financial statements of a business included in a short form prospectus under this Part, other than *pro forma* financial statements, must be audited.
- 5.7 Exception to Audit Requirement for Interim Financial Statements of a Business** - Despite section 5.6, interim financial statements of a business included in a short form prospectus under this Part do not have to be audited.
- 5.8 Exception to Audit Requirement for Recent Financial Statements of a Business** - Despite section 5.6, an issuer may omit from its short form prospectus an audit report for the annual financial statements referred to in subsection 5.3(2) if the financial statements have not been audited.
- 5.9 Compilation Report for *Pro Forma* Financial Statements** - The *pro forma* financial statements included in a short form prospectus under this Part shall be accompanied by a compilation report signed by the auditor and prepared in accordance with the Handbook.

PART 6 PRO FORMA FINANCIAL STATEMENT DISCLOSURE FOR SIGNIFICANT DISPOSITIONS

- 6.1 Scope** - This Part applies only to
- (a) significant dispositions completed during an issuer's most recently completed financial year; and
 - (b) significant dispositions completed during an issuer's current financial year,

but not to significant dispositions of business segments.

6.2 Pro Forma Financial Statements - If an issuer has made a significant disposition referred to in clause (a) or (b) of section 6.1, the issuer shall include in its short form prospectus the following *pro forma* financial statements:

- (1) **Pro Forma Balance Sheet** - A *pro forma* balance sheet of the issuer prepared as at the date of the issuer's most recent balance sheet included in the short form prospectus to give effect to, as if they had taken place as at the date of the *pro forma* balance sheet, significant dispositions that have been completed, but are not reflected in the issuer's most recent balance sheet included in the short form prospectus.
- (2) **Pro Forma Income Statement** - *Pro forma* income statements of the issuer prepared to give effect to significant dispositions completed during
 - (a) the most recently completed financial year of the issuer as if they had taken place at the beginning of the most recently completed financial year of the issuer for which audited financial statements are included in the short form prospectus; and
 - (b) the issuer's current financial year for each of the financial periods referred to in clause (i) and (ii)
 - (i) the most recently completed financial year of the issuer for which audited financial statements are included in the short form prospectus; and
 - (ii) the most recently completed interim period of the issuer for which financial statements are included in the short form prospectus,

as if they had taken place at the beginning of the most recently completed financial year of the issuer for which audited financial statements are included in the short form prospectus.
- (3) If an issuer includes in a short form prospectus a *pro forma* financial statement prepared in accordance with subsection (2) which gives effect to more than one significant disposition, the *pro forma* financial statement shall separately identify each significant disposition.

- (4) If an issuer is required under this Part to include *pro forma* financial statements in a short form prospectus, the issuer shall include in the *pro forma* financial statements a description of the underlying assumptions on which the *pro forma* financial statements are prepared, cross-referred to each related *pro forma* adjustment.
- (5) **Pro Forma Earnings per Share** - If an issuer is required under this Part to include in a short form prospectus *pro forma* financial statements, the short form prospectus shall include *pro forma* earnings per share based on the *pro forma* financial statements referred to in this Part.
- (6) **Presentation of Pro Forma Financial Statements for Significant Dispositions** - Despite subsection (2), if an issuer is required to include in its short form prospectus *pro forma* financial statements prepared under section 4.5 and subsection (2) of this Part, the issuer shall prepare one set of *pro forma* financial statements which give effect to the significant acquisitions referred to in section 4.5 and the significant dispositions referred to in subsection 6.2(2).

PART 7 AUDIT REQUIREMENT FOR FINANCIAL STATEMENTS OF AN ISSUER

- 7.1 **Audit Requirement** - The financial statements of an issuer included in a short form prospectus must be audited.
- 7.2 [repealed January 4, 2005]
- 7.3 **Exception to Audit Requirement** - Despite section 7.1, the following financial statements do not have to be audited:
 - 1. Comparative interim financial statements required to be incorporated by reference under paragraph (1)3 of Item 12.1 or paragraph 2 of 12.2 of Form 44-101F3.
 - 2. The comparative annual financial statements of the issuer for the most recently completed financial year if
 - (a) the financial statements are required to be incorporated by reference in a short form prospectus solely by reason of paragraph (1)5 of Item 12.1 of Form 44-101F3;
 - (b) the auditor of the issuer has not issued an audit report on the financial statements; and
 - (c) comparative financial statements for the year preceding the

most recently completed financial year are audited and are included in the short form prospectus.

3. The comparative interim financial statements of a credit supporter required to be incorporated by reference under Item 13.2 of Form 44-101F3.

7.4 [repealed January 4, 2005]

7.5 [repealed January 4, 2005]

PART 8 AUDIT COMMITTEE REVIEW OF FINANCIAL STATEMENTS INCLUDED IN A SHORT FORM PROSPECTUS

- 8.1 **Audit Committee Review of Financial Statements Included in a Short Form Prospectus** - An issuer shall not file a short form prospectus unless each financial statement of a person or company included in the short form prospectus has been reviewed by the audit committee of the board of directors of the person or company, if the person or company has, or is required to have, an audit committee, and approved by the board of directors.

PART 9 DEEMED INCORPORATION BY REFERENCE

- 9.1 **Deemed Incorporation by Reference of Filed Documents** - If an issuer does not incorporate by reference in its short form prospectus a document required to be incorporated by reference under Item 12.1 of Form 44-101F3, the document is deemed for purposes of securities legislation to be incorporated by reference in the issuer's short form prospectus as of the date of the short form prospectus to the extent not otherwise modified or superseded by a statement contained in the short form prospectus or in any other subsequently filed document that also is, or is deemed to be, incorporated by reference in the short form prospectus.
- 9.2 **Deemed Incorporation by Reference of Subsequently Filed Documents** - If an issuer does not incorporate by reference in its short form prospectus a document required to be incorporated by reference under Item 12.2 of Form 44-101F3, the document is deemed for purposes of securities legislation to be incorporated by reference in the issuer's short form prospectus as of the date the issuer filed the document to the extent not otherwise modified or superseded by a statement contained in the short form prospectus or in any other subsequently filed document that also is,

or is deemed to be, incorporated by reference in the short form prospectus.

PART 10 FILING REQUIREMENTS FOR A SHORT FORM PROSPECTUS

10.1 Interpretation of "Prospectus" - In this Part, a reference to a short form prospectus does not include a preliminary short form prospectus.

10.2 Required Documents for Filing a Preliminary Short Form Prospectus - An issuer that files a preliminary short form prospectus shall

(a) file the following with the preliminary short form prospectus:

1. **Signed Copy** - A signed copy of the preliminary short form prospectus.
2. **Qualification Certificate** - A certificate executed on behalf of the issuer by one of its executive officers certifying that all of the criteria on which the issuer is relying in order to be qualified to file a prospectus in the form of a short form prospectus have been satisfied.
3. **Material Incorporated by Reference** - Copies of all material incorporated by reference in the preliminary short form prospectus and not previously filed.
4. **Mining Reports** - If the issuer has a mineral project, the technical reports required to be filed with a preliminary short form prospectus under National Instrument 43-101 Standards of Disclosure for Mineral Projects if that National Instrument is in force and until that National Instrument is in force any technical report or certificate requested to be filed by the regulator.
5. **Oil and Gas Reports** - Any technical report or certificate relating to oil and gas properties prepared in accordance with National Policy Statement No. 2-B *Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators* that the regulator requests be filed and that was not previously filed, if the preliminary short form prospectus is filed on or before June 30, 2005, the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) and:

- (i) the issuer has not filed and is not required to have filed (alone or in the preliminary short form prospectus or as part of another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;
 - (ii) the preliminary short form prospectus does not include and is not required to include audited financial statements for a financial year ended on or after December 31, 2003;
 - (iii) if the preliminary short form prospectus is filed on or before March 30, 2004 for an initial public offering of securities, it does not include financial statements for a financial year or interim period that ends on or after December 31, 2003; and
 - (iv) if the preliminary short form prospectus is filed after December 31, 2003 and during the issuer's first financial year, it does not include financial statements for an interim period that ends on or after December 31, 2003.
- (b) deliver to the regulator, concurrently with the filing of the preliminary short form prospectus, the following:
1. **Personal Information** - For each director and executive officer of an issuer, each promoter of the issuer or, if the promoter is not an individual, each director and executive officer of the promoter, for whom the issuer has not previously delivered the following information, a statement containing that individual's
 - (i) full name;
 - (ii) position with or relationship to the issuer;
 - (iii) employer's name and address, if other than the issuer;
 - (iv) full residential address;
 - (v) date and place of birth; and
 - (vi) citizenship.
 2. **Authorization to Collect Information** - An authorization in the form set out in Appendix A to the collection of personal information.

3. **Calculation of Earnings Coverage** - If the preliminary short form prospectus is filed for a proposed distribution of debt securities having a term to maturity in excess of one year or for a proposed distribution of preferred shares, a letter setting out the calculation of the earnings coverage.
4. **Material Contracts** - Copies of all material contracts to which the issuer is a party that have not previously been filed.
5. **Reports and Valuations** - A copy of each report or valuation referred to in the preliminary short form prospectus for which a consent is required to be filed under section 10.4 and that has not previously been filed, other than a technical report that
 - (i) deals with a mineral project or oil and gas operations; and
 - (ii) is not otherwise required to be filed under paragraphs 4 and 5 of clause 10.2(a).
6. **Auditor's Comfort Letter regarding Audited Financial Statements** - A signed letter to the regulator from the auditor of the issuer or of the business, as applicable, prepared in accordance with the form suggested for this circumstance by the Handbook, if a financial statement of an issuer or a business included in a preliminary short form prospectus is accompanied by an unsigned audit report.
7. [repealed January 4, 2005]

10.3 Required Documents for Filing a Short Form Prospectus - An issuer that files a short form prospectus shall

- (a) file the following with the short form prospectus:
 1. **Signed Copy** - A signed copy of the short form prospectus.
 2. **Material Incorporated by Reference** - Copies of all material incorporated by reference in the short form prospectus and not previously filed.
 3. **Issuer's Submission to Jurisdiction** - A submission to jurisdiction and appointment of agent for service of process of the issuer in the form set out in Appendix B, if an issuer is incorporated or

organized in a foreign jurisdiction and does not have an office in Canada.

4. **Non-Issuer's Submission to Jurisdiction** - A submission to jurisdiction and appointment of agent for service of process of the selling security holder, promoter or credit supporter, as applicable, in the form set out in Appendix C, if a selling security holder, promoter or credit supporter of an issuer is incorporated or organized under a foreign jurisdiction and does not have an office in Canada or is an individual who resides outside of Canada.
5. **Expert's Consent** - The consents required to be filed under section 10.4.
6. **Credit Supporter's Consent** - The written consent of the credit supporter to the inclusion of its financial statements in the short form prospectus, if financial statements of a credit supporter are required under Item 13.2 of Form 44-101F3 to be included in a short form prospectus and a certificate of the credit supporter is not required under Item 20.3 of Form 44-101F3 to be included in the short form prospectus.
7. **Material Contracts** - Copies of all material contracts to which the issuer is a party that have not previously been filed.
8. **Other Mining Reports** - If the issuer has a mineral project, any technical report, certificate or consent required to be filed with a short form prospectus under National Instrument 43-101, if that National Instrument is in force and until that National Instrument is in force, any technical report or certificate requested to be filed by a regulator and not previously filed.
9. **Other Oil and Gas Reports** - Any technical report or certificate relating to oil and gas properties prepared in accordance with National Policy Statement No. 2-B that the regulator requests be filed and that was not previously filed, if the short form prospectus is filed on or before June 30, 2005, the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) and:
 - (i) the issuer has not filed and is not required to have filed (alone or in the short form prospectus or as part of

another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;

- (ii) the short form prospectus does not include and is not required to include audited financial statements for a financial year ended on or after December 31, 2003;
- (iii) if the short form prospectus is filed on or before March 30, 2004 for an initial public offering of securities, it does not include financial statements for a financial year or interim period that ends on or after December 31, 2003; and
- (iv) if the short form prospectus is filed after December 31, 2003 and during the issuer's first financial year, it does not include financial statements for an interim period that ends on or after December 31, 2003.

10. Other Reports and Valuations - A copy of each report or valuation referred to in the short form prospectus, for which a consent is required to be filed under section 10.3 and that has not previously been delivered, other than a technical report that

- (i) deals with a mineral project or oil and gas activities of the issuer; and
- (ii) is not otherwise required to be filed under paragraph 8 or 9; and

(b) deliver to the regulators, no later than the filing of the short form prospectus,

1. Auditor's Comfort Letter regarding Unaudited Financial Statements -

- (i) a comfort letter to the regulators from the auditor of the issuer or the business, as applicable, prepared in accordance with the relevant standards in the Handbook, if an unaudited financial statement of an issuer or a business is included in a short form prospectus;
- (ii) a comfort letter to the regulators from the auditor of the business, prepared in accordance with the relevant

standards in the Handbook, if the prospectus includes unaudited financial information of a business that has been derived from financial statements of a business that are not included in the short form prospectus;

- (iii) a comfort letter to the regulators from the auditor of the business, prepared in accordance with the relevant standards in the Handbook, if a *pro forma* income statement of the issuer included in the short form prospectus includes results of the business that have been prepared in accordance with subsection 4.5(4);
- (iv) a comfort letter to the regulators from the auditor of the issuer, prepared in accordance with the relevant standards of the Handbook, if a *pro forma* financial statement of the issuer included in the short form prospectus reflects the results of a significant disposition in accordance with Part 6 of this Instrument.

2. Blacklined Prospectus - A copy of the short form prospectus, blacklined

10.4 Consent of Experts

- (1) If any solicitor, auditor, accountant, engineer or appraiser, or any other person or company whose profession gives authority to a statement made by that person or company, is named in a short form prospectus or an amendment to a short form prospectus, either directly or in a document incorporated by reference
 - (a) as having prepared or certified any part of the short form prospectus or the amendment,
 - (b) as having opined on financial statements from which selected information included in the short form prospectus has been derived and which audit opinion is referred to in the short form prospectus either directly or in a document incorporated by reference, or
 - (c) as having prepared or certified a report or valuation referred to in the short form prospectus or the amendment, either directly or in a document incorporated by reference,

the issuer shall file no later than the time the short form prospectus or the amendment is filed, the written consent of the person or

company to being named and to that use of the report or valuation.

- (2) The consent referred to in subsection (1) shall
 - (a) refer to the report, valuation, statement or opinion stating the date of the report, valuation, statement or opinion, and
 - (b) contain a statement that the person or company referred to in subsection (1)
 - (i) has read the short form prospectus, and
 - (ii) has no reason to believe that there are any misrepresentations in the information contained in it that are
 - (A) derived from the report, valuation, statement or opinion, or
 - (B) within the knowledge of the person or company as a result of the services performed by the person or company in connection with the report, financial statements, valuation, statement or opinion.
- (3) In addition to any other requirement of this section, the consent of an auditor or accountant shall also state
 - (a) the dates of the financial statements on which the report of the person or company is made, and
 - (b) that the person or company has no reason to believe that there are any misrepresentations in the information contained in the short form prospectus that are
 - (i) derived from the financial statements on which the person or company has reported, or
 - (ii) within the knowledge of the person or company as a result of the audit of the financial statements.
- (4) Subsection (1) does not apply to an approved rating organization that issues a rating to the securities being distributed under the preliminary short form prospectus or short form prospectus.

10.5 Filing of French Language Version

- (1) Except when the prospectus is filed in Quebec, an issuer shall file a French language version of a preliminary short form prospectus, short form prospectus, any amendment to a preliminary short form prospectus or short form prospectus before sending the French language version of a preliminary short form prospectus, a short form prospectus or an amendment to an investor or prospective investor.
- (2) An issuer that has prepared a French language version of a preliminary short form prospectus, short form prospectus, amendment to a preliminary short form prospectus or short form prospectus file the French language version of the document in New Brunswick concurrently with or as soon as practicable after filing the English language version of the document in that Province.

10.6 Prohibition on Filing - An issuer shall not file a preliminary short form prospectus or a short form prospectus if the issuer is in default in filing or delivering to the regulator a document required to be filed or delivered under securities legislation.

10.7 Material Contracts - An issuer shall make available all material contracts referred to in a short form prospectus for inspection at a reasonable time and place in the local jurisdiction, without charge, during the distribution of the securities being offered under the short form prospectus.

PART 11 AMENDMENTS TO A SHORT FORM PROSPECTUS

11.1 Form of Amendment

- (1) An amendment to a preliminary short form prospectus or a short form prospectus shall consist of either an amendment that does not fully restate the text of the preliminary short form prospectus or short form prospectus or an amended and restated preliminary short form prospectus or short form prospectus.
- (2) An amendment to a preliminary short form prospectus or a short form prospectus shall contain the certificates required by securities legislation and in the case of an amendment that does not restate the text of the preliminary short form prospectus or short form prospectus, shall be numbered and dated as follows:

"Amendment No. [insert amendment number] dated [insert date of amendment] to [Preliminary] Short Form Prospectus dated [insert date of preliminary short form prospectus or short form prospectus]."

11.2 Required Documents for Filing an Amendment - An issuer that files an amendment to a preliminary short form prospectus or short form prospectus shall

- (a) file a signed copy of the amendment;
- (b) deliver to the regulator a copy of the preliminary short form prospectus or short form prospectus blacklined to show the changes made by the amendment, if the amendment is also a restatement of the preliminary short form prospectus or short form prospectus;
- (c) file or deliver any supporting documents required under this Instrument or other provisions of securities legislation to be filed or delivered with a preliminary short form prospectus or a short form prospectus, as the case may be, unless the documents originally filed or delivered with the preliminary short form prospectus or short form prospectus as the case may be, are correct as of the date the amendment is filed; and
- (d) file any consent letter required under this Instrument to be filed with a preliminary short form prospectus or short form prospectus, as the case may be.

11.3 Auditor's Letter - If an amendment to a preliminary short form prospectus or short form prospectus materially affects, or relates to, an auditor's comfort letter filed under section 10.2 or 10.3 refers, the issuer shall file with the amendment a new auditor's comfort letter.

11.4 Forwarding Amendments - An amendment to a preliminary short form prospectus shall be forwarded to each recipient of the preliminary short form prospectus according to the record of recipients to be maintained under securities legislation.

11.5 Amendment to Preliminary Short Form Prospectus -The regulator shall issue a receipt for an amendment to a preliminary short form prospectus as soon as reasonably possible after the amendment is filed.

11.6 Amendment to Short Form Prospectus

- (1) If, after a receipt is issued for a short form prospectus but prior to the completion of the distribution under such short form prospectus, securities in addition to the securities previously disclosed in the prospectus are to be distributed, the person or company making the distribution must file an amendment to the short form prospectus disclosing the additional securities, as soon as practical, and in any event no later than 10 days after the decision to increase the number of securities offered is made.
- (2) Except as required by securities legislation, the regulator shall issue a receipt for an amendment to a short form prospectus required to be filed under this section or under securities legislation unless the regulator considers that it is not in the public interest to do so.
- (3) The regulator shall not refuse to issue a receipt under subsection (2) without giving the person or company who filed the short form prospectus an opportunity to be heard.
- (4) Subject to subsection (5), a distribution or an additional distribution must not proceed until a receipt for an amendment to a short form prospectus that is required to be filed is issued by the regulator.
- (5) Subsection (4) does not apply to amendments to short form prospectuses of mutual funds.

PART 12 NON-FIXED PRICE OFFERINGS AND REDUCTION OF OFFERING PRICE UNDER SHORT FORM PROSPECTUS

12.1 Non-Fixed Price Offerings and Reduction of Offering Price under Short Form Prospectus

- (1) Every security distributed under a short form prospectus shall be distributed at a fixed price.
- (2) Despite subsection (1), securities for which the issuer is qualified under Part 2 to file a prospectus in the form of a short form prospectus may be distributed for cash at non-fixed prices under a short form prospectus if, at the time of the filing of the preliminary short form prospectus, the securities have received a rating, on a provisional or final basis, from at least one approved rating organization.

- (3) Despite subsection (1), if securities are distributed for cash under a short form prospectus, the price of the securities may be decreased from the initial offering price disclosed in the short form prospectus and, after such a decrease, changed from time to time to an amount not greater than the initial offering price, without filing an amendment to the short form prospectus to reflect the change, if
 - (a) the securities are distributed through one or more underwriters that have agreed to purchase all of the securities at a specified price;
 - (b) the proceeds to be received by the issuer or selling security holders or by the issuer and selling security holders are disclosed in the short form prospectus as being fixed; and
 - (c) the underwriters have made a reasonable effort to sell all of the securities distributed under the short form prospectus at the initial offering price disclosed in the short form prospectus.
- (4) Despite subsections (2) and (3), the price at which securities may be acquired on exercise of rights shall be fixed.

PART 13 CIRCULARS

13.1 Use of Short Form Prospectus Disclosure in Securities Exchange Take-Over Bid Circular and Securities Exchange Issuer Bid Circular

- (1) An issuer that makes a take-over bid or an issuer bid that includes consideration consisting, in whole or in part, of the issuer's securities satisfies the requirement in securities legislation to include, in a securities exchange take-over bid circular or a securities exchange issuer bid circular, the information prescribed by the form of prospectus appropriate for the issuer by including, in the securities exchange take-over bid circular or the securities exchange issuer bid circular, the information required under this Instrument to be included in a short form prospectus, if the issuer's securities offered as consideration are of a type for which the issuer is qualified under section 2.2, 2.3, 2.4 or 2.8 to file a prospectus in the form of a short form prospectus.
- (2) In determining, for the purpose of subsection (1), whether an issuer is qualified to file a prospectus in the form of a short form prospectus under section 2.2, 2.3, 2.4 or 2.8, references in those sections to the time of the filing of a preliminary short form prospectus shall be read

as references to the time of the filing of the securities exchange take-over bid circular or securities exchange issuer bid circular.

13.2 Use of Short Form Prospectus Disclosure in Information Circular

- (1) An issuer, that sends an information circular to security holders disclosing information on a proposed reorganization that involves the issuer distributing its securities, satisfies the requirement in securities legislation to include in an information circular the information prescribed by the form of prospectus appropriate for the issuer by including in the information circular, the information required under this Instrument to be included in a short form prospectus, if the issuer's securities to be distributed in connection with the reorganization are of a type for which the issuer is qualified under section 2.2, 2.3, 2.4 or 2.8 to file a prospectus in the form of a short form prospectus.
- (2) In determining, for the purpose of subsection (1), whether an issuer is qualified to file a prospectus in the form of a short form prospectus under section 2.2, 2.3, 2.4 or 2.8, references in those sections to the time of the filing of a preliminary short form prospectus shall be read as references to the time of the filing of the information circular.

13.3 Information Circular Disclosure regarding Availability of Information - An issuer that has a current AIF and sends its information circular, as required under securities legislation, to security holders shall

- (a) send, upon request to the secretary of the issuer, a copy of the following documents to the person or company making the request and, in the case of a security holder, without charge:
 1. The issuer's current AIF, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the current AIF.
 2. The issuer's most recently filed comparative annual financial statements, together with the accompanying report of the auditor, and any interim financial statements of the issuer that have been filed for any period after the end of its most recently completed financial year.
 3. The issuer's information circular for its most recent annual meeting of shareholders that involved the election of directors or any annual filing prepared instead of that information circular, as appropriate; and

- (b) include in its information circular a statement describing the availability, without charge to a security holder, upon request made to the secretary of the issuer, of the documents listed in paragraph (a).

PART 14 SOLICITATIONS OF EXPRESSIONS OF INTEREST

14.1 Solicitations of Expressions of Interest - The prospectus requirement does not apply to solicitations of expressions of interest before the filing of a preliminary short form prospectus for securities to be qualified for distribution under a short form prospectus in accordance with this Instrument, if

- (a) the issuer has entered into an enforceable agreement with an underwriter who has, or underwriters who have, agreed to purchase the securities;
- (b) the agreement referred to in paragraph (a) has fixed the terms of the distribution and requires that the issuer file a preliminary short form prospectus for the securities and obtain a receipt for the preliminary short form prospectus from
 - (i) the 44-101 regulator dated not more than two business days after the date that the agreement is entered into, if the issuer has elected to use the MRRS; or
 - (ii) if the issuer has not elected to use the MRRS
 - (A) the regulator in at least one jurisdiction, dated not more than two business days after the date that the agreement is entered into, and
 - (B) the Canadian securities regulatory authorities in any other jurisdictions in which the distribution is to be made, dated not more than three business days after the date that the agreement is entered into;
- (c) the issuer has issued and filed a news release announcing the agreement immediately upon entering into the agreement;
- (d) upon issuance of a receipt for the preliminary short form prospectus, a copy of the preliminary short form prospectus is sent to each person or company who has expressed an interest in acquiring the securities; and

- (e) except as provided in paragraph (a), no agreement of purchase and sale for the securities is entered into until the short form prospectus has been filed and a receipt obtained.

PART 15 EXEMPTION

15.1 Exemption

- (1) The regulator or the securities regulatory authority may grant an exemption from the provisions of this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario and Alberta, only the regulator may grant such an exemption.
- (3) An application made to the securities regulatory authority or regulator for an exemption from the provisions of this Instrument shall include a letter or memorandum describing the matters relating to the exemption, and indicating why consideration should be given to the granting of the exemption.

15.2 Evidence of Exemption

- (1) Subject to subsection (2) and without limiting the manner in which an exemption under this Part may be evidenced, the granting under this Part of an exemption, other than an exemption, in whole or in part, from Part 2, may be evidenced by the issuance of a receipt for a short form prospectus or an amendment to a short form prospectus.
- (2) An exemption under this Part may be evidenced in the manner set out in subsection (1) only if
 - (a) the person or company that sought the exemption
 - (i) sent to the regulator the letter or memorandum referred to in subsection 15.1(3) on or before the date of the filing of the preliminary short form prospectus, or
 - (ii) sent to the regulator the letter or memorandum referred to in subsection 15.1(3) after the date of the filing of the preliminary short form prospectus and received a written acknowledgement from the regulator that the exemption may be evidenced in the manner set out in subsection (1); and

- (b) the Director has not before, or concurrently with, the issuance of the receipt sent notice to the person or company that sought the exemption, that the exemption sought may not be evidenced in the manner set out in subsection (1).

15.3 Exemption under Prior Policy - An issuer that, immediately before the time this Instrument came into force, was eligible to participate in the prompt offering qualification system contemplated by NP47 under an exemption, ruling, order, decision or other action of the securities regulatory authority or regulator, other than a blanket ruling or order, is qualified to file a prospectus in the form of a short form prospectus, in reliance on the exemption, ruling, order, decision or other action and subject to the same conditions, if any, as are in the action, until the earliest of

- (a) the end of the period for which the AIF filed by the issuer before this Instrument came into force is a current AIF under this Instrument;
- (b) the expiration of the action; and
- (c) the revocation of the action by the securities regulatory authority or the regulator.

PART 16 EFFECTIVE DATE

16.1 Effective Date - This Instrument shall come into force on December 31, 2000.

**NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS**

**APPENDIX A
AUTHORIZATION OF
INDIRECT COLLECTION OF PERSONAL INFORMATION**

The attached Schedule 1 contains information concerning the name, position with or relationship to issuer, name and address of employer, if other than the issuer, residential address, date and place of birth and citizenship of each director, executive officer, promoter, if any, and each director and executive officer of the promoter, if any, of the issuer named below (the "Issuer") as required by securities legislation, unless previously delivered to the regulator. The Issuer hereby confirms that each person or company listed on Schedule 1

- (a) has been notified by the Issuer
 - (i) of the Issuer's delivery to the regulator of the information pertaining to the person or company as set out in Schedule 1,
 - (ii) that such information is being collected indirectly by the regulator under the authority granted to it in securities legislation,
 - (iii) that such information is being collected for the purpose of enabling the regulator to discharge his/her obligations under the provisions of securities legislation that, among other things, require or permit the regulator to refuse to issue a receipt for a prospectus if it appears to the regulator that the past conduct of management or promoters of the issuer affords reasonable grounds for belief that the business of the issuer will not be conducted with integrity and in the best interests of its securityholders, and
 - (iv) that the title, business address and business telephone number of the public official in the local jurisdiction as set out in the attached Schedule 2, who can answer questions about the regulator's indirect collection of the information; and

- (b) has authorized the indirect collection of the information by the regulator.

Date: _____

Name of Issuer

Per: _____

Name

Official Capacity

(Please print the name of the
individual whose signature
appears in the official capacity)

Schedule 1 Personal Information
to Appendix A
Authorization of Indirect
Collection of Personal Information

[Name of Issuer]

Name and Position with or Relationship <u>to Issuer</u>	Name and Address of Employer, if other than <u>Issuer</u>	Residential <u>Address</u>	Date and Place of <u>Birth</u>	<u>Citizenship</u>

**Schedule 2 Public Official
to Appendix A
Authorization of Indirect
Collection of Personal Information**

Local Jurisdiction

Public Official

Alberta

Executive Director
Alberta Securities Commission
Suite 400
300 - 5th Avenue S.W
Calgary, Alberta T2P 3C4
Telephone: (403) 297-4228

British Columbia

Supervisor, Registration
British Columbia Securities Commission
Suite 200
865 Hornby Street
Vancouver, British Columbia V6Z 2H4
Telephone: (604) 899-5692
Toll Free within British Columbia: (800) 373-6393

Manitoba

Director
Manitoba Securities Commission
Consumer and Corporate Affairs
Administration
1034 - 405 Broadway
Winnipeg, Manitoba R3C 3L6
Telephone: (204) 945-2653

New Brunswick

Administrator
Department of Justice
Securities Branch
Harbour Building, 133 Prince William Street
Suite 606, P.O. Box 5001
Saint John, New Brunswick, E2L 4Y9
Telephone: (506) 658-3060

Newfoundland

Director of Securities
Department of Government Services and Lands
P.O. Box 8700
West Block, 2nd Floor, Confederation Building

	St. John's, Newfoundland A1B 4J6 Telephone: (709) 729-4189
Northwest Territories	Government of the Northwest Territories Securities Registries Department of Justice P.O. Box 1320, Yellowknife, Northwest Territories X1A 2L9
Nova Scotia	Deputy Director, Compliance and Enforcement Nova Scotia Securities Commission P.O. Box 458 Halifax, Nova Scotia B3J 2P8 Telephone: (902)424-5354
Nunavut	Nunavut Legal Registries Government of Nunavut BAG 9500 Yellowknife, Northwest Territories X1A 2R3
Ontario	Administrative Assistant to the Director of Corporate Finance Ontario Securities Commission 18th Floor, 20 Queen Street West Toronto, Ontario M5H 2S8 (416) 597-0681
Prince Edward Island	Deputy Registrar, Securities Division Shaw Building 95 Rochford Street, P.O. Box 2000, 4th Floor Charlottetown, Prince Edward Island C1A 7N8 Telephone: (902) 368-4550
Quebec	Secretary and Director Legal Department Commission d'accès à l'information Québec City (Head Office) 575, rue St-Amable Bureau 1.10 Québec, Québec G1R 2G4 Telephone: (418) 528-7741 Toll Free in Québec: (888) 628-7741
Saskatchewan	Director

Saskatchewan Securities Commission
800-1920 Broad Street
Regina, Saskatchewan S4P 3V7
Telephone: (306) 787-5842

Yukon

Registrar of Securities
Department of Justice
Andrew A. Philipsen Law Centre
2130 - 2nd Avenue, 3rd Floor
Whitehorse, Yukon Territory Y1A 5H6
Telephone: (867) 667-5005

**NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS
APPENDIX B
ISSUER FORM OF SUBMISSION TO
JURISDICTION AND APPOINTMENT OF
AGENT FOR SERVICE OF PROCESS**

1. Name of issuer (the "Issuer"):

2. Jurisdiction of incorporation, or equivalent, of Issuer:

3. Address of principal place of business of Issuer:

4. Description of securities (the "Securities"):

5. Date of the short form prospectus (the "Short Form Prospectus") under which the Securities are offered:

6. Name of agent for service of process (the "Agent"):

7. Address for service of process of Agent in Canada (the address may be anywhere in Canada):

8. The Issuer designates and appoints the Agent at the address of the Agent stated above as its agent upon whom may be served any notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding (the "Proceeding") arising out of, relating to or concerning the distribution of the Securities made or purported to be made under the Short Form Prospectus or the obligations of the Issuer as a reporting issuer, and irrevocably waives any right to raise as a defence in any such Proceeding any alleged lack of jurisdiction to bring such Proceeding.
9. The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of

- (a) the judicial, quasi-judicial and administrative tribunals of each of the provinces [and territories] of Canada in which the securities are distributed under the Short Form Prospectus; and
 - (b) any administrative proceeding in any such province [or territory],
in any Proceeding arising out of or related to or concerning the distribution of the Securities made or purported to be made under the Short Form Prospectus or the obligations of the issuer as a reporting issuer.
10. Until six years after it has ceased to be a reporting issuer in any Canadian province or territory, the Issuer shall file a new submission to jurisdiction and appointment of agent for service of process in this form at least 30 days before termination of this submission to jurisdiction and appointment of agent for service of process.
 11. Until six years after it has ceased to be a reporting issuer in any Canadian province or territory, the Issuer shall file an amended submission to jurisdiction and appointment of agent for service of process at least 30 days before any change in the name or above address of the Agent.
 12. This submission to jurisdiction and appointment of agent for service of process shall be governed by and construed in accordance with the laws of [insert province or territory of above address of Agent].

Dated: _____
Signature of Issuer

Print name and title of signing
officer of Issuer

AGENT

The undersigned accepts the appointment as agent for service of process of [insert name of Issuer] under the terms and conditions of the appointment of agent for service of process stated above.

Dated: _____

Signature of Agent

Print name of person signing and, if
Agent is not an individual, the title of
the person

**NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS
APPENDIX C
NON-ISSUER FORM OF SUBMISSION TO
JURISDICTION AND APPOINTMENT OF
AGENT FOR SERVICE OF PROCESS**

1. Name of issuer (the "Issuer"):

2. Jurisdiction of incorporation, or equivalent, of Issuer:

3. Address of principal place of business of Issuer:

4. Description of securities (the "Securities"):

5. Date of the short form prospectus (the "Short Form Prospectus") under which the Securities are offered:

6. Name of person filing this form (the "Filing Person"):

7. Filing Person's relationship to Issuer:

8. Jurisdiction of incorporation, or equivalent, of Filing Person, if applicable, or jurisdiction of residence of Filing Person:

9. Address of principal place of business of Filing Person:

10. Name of agent for service of process (the "Agent"):

11. Address for service of process of Agent in Canada (which address may be anywhere in Canada):

12. The Filing Person designates and appoints the Agent at the address of the Agent stated above as its agent upon whom may be served any notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding (the "Proceeding") arising out of, relating to or concerning the distribution of the Securities made or purported to be made under the Short Form Prospectus, and irrevocably waives any right to raise as a defence in any such Proceeding any alleged lack of jurisdiction to bring the Proceeding.
13. The Filing Person irrevocably and unconditionally submits to the non-exclusive jurisdiction of
 - (a) the judicial, quasi-judicial and administrative tribunals of each of the provinces [and territories] of Canada in which the securities are distributed under the Short Form Prospectus; and
 - (b) any administrative proceeding in any such province [or territory],
 in any Proceeding arising out of or related to or concerning the distribution of the Securities made or purported to be made under the Short Form Prospectus.
14. Until six years after completion of the distribution of the Securities made under the Short Form Prospectus, the Filing Person shall file a new submission to jurisdiction and appointment of agent for service of process in this form at least 30 days before termination of this submission to jurisdiction and appointment of agent for service of process.
15. Until six years after completion of the distribution of the Securities under the Short Form Prospectus, the Filing Person shall file an amended submission to jurisdiction and appointment of agent for service of process at least 30 days before a change in the name or above address of the Agent.
16. This submission to jurisdiction and appointment of agent for service of process shall be governed by and construed in accordance with the laws of [insert province or territory of above address of Agent].

Dated: _____

Signature of Filing Person

Print name of person signing and, if the Filing Person is not an individual, the title of the person

AGENT

The undersigned accepts the appointment as agent for service of process of [insert name of Filing Person] under the terms and conditions of the appointment of agent for service of process stated above.

Dated: _____

Signature of Agent

Print name of person signing and, if Agent is not an individual, the title of the person

Effective Date: December 31, 2000
Amended: September 30, 2004
Amended: March 30, 2004
Amended: January 4, 2005
Consolidated: May 19, 2005

**NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS
FORM 44-101F3
SHORT FORM PROSPECTUS**

TABLE OF CONTENTS

Item 1	Cover Page Disclosure	3
1.1	Required Language	3
1.2	Preliminary Short Form Prospectus Disclosure	3
1.3	Basic Disclosure about the Distribution.....	4
1.4	Distribution	5
1.5	Non-Fixed Price Distributions	6
1.6	Reduced Price Distributions.....	7
1.7	Market for Securities	7
1.8	Underwriter(s)	7
1.9	International Issuers.....	8
Item 2	Name of Issuer and Intercorporate Relationships	8
2.1	Name of Issuer	8
2.2	Intercorporate Relationships	9
Item 3	Summary Description of Business.....	9
3.1	Summary of Description of Business	9
Item 4	Consolidated Capitalization and Financial Information Released	9
4.1	Consolidated Capitalization	9
4.2	Financial Information of the Issuer Released.....	10
Item 5	Use of Proceeds.....	10
5.1	Proceeds.....	10
5.2	Principal Purposes	10
Item 6	Plan of Distribution	10
6.1	Disclosure of Market Out.....	10
6.2	Best Efforts Offering	11
6.3	Determination of Price	11
6.4	Over-Allotments.....	11
6.5	Minimum Distribution	11
6.6	Reduced Price Distributions.....	11

6.7	Listing Application	11
6.8	Conditional Listing Approval	11
Item 7	Earnings Coverage Ratios	12
7.1	Earnings Coverage Ratios	12
Item 8	Description of Securities Being Distributed.....	16
8.1	Shares 16	
8.2	Debt Securities.....	17
8.3	Asset-backed Securities.....	18
8.4	Specified Derivatives	21
8.5	Other Securities.....	21
8.6	Modification of Terms	21
8.7	Ratings.....	21
8.8	Constraints.....	22
8.9	Other Attributes	22
Item 9	Selling Security Holder	23
9.1	Selling Security Holder	23
Item 10	Resource Property.....	23
10.1	Resource Property.....	23
Item 11	Significant Acquisitions and Significant Dispositions	24
11.1	Significant Acquisitions and Significant Dispositions	25
Item 12	Documents Incorporated by Reference	26
12.1	Mandatory Incorporation by Reference	26
12.2	Mandatory Incorporation by Reference of Future Documents	28
12.3	Exception for Guaranteed Securities	28
12.4	Required Language	28
12.5	Exception for Certain Filings	28
12.6	List of Material Change Reports	29
12.7	Reverse Take-Overs	29
Item 13	Issues of Guaranteed Securities.....	29
13.1	Issuer Disclosure	29
13.2	Credit Supporter Disclosure	30
Item 14	Relationship between Issuer or Selling Security holder and Underwriter	31
14.1	Relationship between Issuer or Selling Security holder and Underwriter	31
Item 15	Interest of Experts	32
15.1	Interest of Experts	32
Item 16	Promoters.....	32
16.1	Promoters.....	32
Item 17	Risk Factors	34

17.1	Risk Factors	34
Item 18	Other Material Facts.....	34
18.1	Other Material Facts.....	34
Item 19	Statutory Rights of Withdrawal and Rescission.....	34
19.1	General.....	34
19.2	Non-fixed Price Offerings	35
Item 20	Reconciliation to Canadian GAAP	35
20.1	Reconciliation to Canadian GAAP	35
Item 21	Certificates	35
21.1	Officers, Directors and Promoters.....	35
21.2	Underwriters.....	36
21.3	Related Credit Supporters	36
21.4	Amendments	36

**NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS
FORM 44-101F3
SHORT FORM PROSPECTUS**

INSTRUCTIONS

- (1) *The objective of the short form prospectus is to provide information concerning the issuer that an investor needs in order to make an informed investment decision. This Form sets out specific disclosure requirements that are in addition to the general requirement under securities legislation to provide full, true and plain disclosure of all material facts relating to the securities to be distributed. Certain rules of specific application impose prospectus disclosure obligations in addition to those described in this Form.*
- (2) *Terms used and not defined in this Form that are defined or interpreted in National Instrument 44-101 Short Form Prospectus Distributions shall bear that definition or interpretation. Other definitions are set out in National Instrument 14-101 Definitions.*
- (3) *In determining the degree of detail required a standard of materiality should be applied. Materiality is a matter of judgement in the particular circumstance, and should generally be determined in relation to an item's significance to investors, analysts and other users of information. An item of information, or an aggregate of items, is considered material if it is probable that its omission or misstatement would influence or change an investment decision with respect to the issuer's securities. In determining whether information is material, take into account both quantitative and qualitative factors. The potential significance of items should be considered individually rather than on a net basis, if the items have an offsetting effect. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.*
- (4) *Unless an item specifically requires disclosure only in the preliminary short form prospectus, the disclosure requirements set out in this Form apply to both the preliminary short form prospectus and the short form prospectus. Details concerning the price and other matters dependent upon or relating to price, such as the number of securities being distributed, may be left out of the preliminary short form prospectus, along with specifics concerning the plan of distribution, to the extent that these matters have not been decided.*

- (5) *Any information required in a short form prospectus may be incorporated by reference in the short form prospectus, other than confidential material change reports. Clearly identify in a short form prospectus any document incorporated by reference. If an excerpt of a document is incorporated by reference, clearly identify the excerpt in the short form prospectus by caption and paragraph of the document. Any material incorporated by reference in a short form prospectus is required under sections 10.2 and 10.3 of National Instrument 44-101 to be filed with the short form prospectus unless it has been previously filed.*
- (6) *The disclosure must be understandable to readers and presented in any easy to read format. The presentation of information should comply with the plain language principles listed in section 9.2 of Companion Policy 44-101CP Short Form Prospectus Distributions. If technical terms are required, clear and concise explanations should be included.*
- (7) *No reference need be made to inapplicable items and, unless otherwise required in this Form, negative answers to items may be omitted.*
- (8) *Where the term "issuer" is used, it may be necessary, in order to meet the requirement for full, true and plain disclosure of all material facts, to also include disclosure with respect to the issuer's subsidiaries and investees. If it is more likely than not that a person or company will become a subsidiary or investee, it may be necessary to also include disclosure with respect to the person or company.*
- (9) *An issuer that is a special purpose vehicle may have to modify the disclosure items to reflect the special purpose nature of its business.*
- (10) *If disclosure is required as of a specific date and there has been a material change or change that is otherwise significant in the required information subsequent to that date, present the information as of the date of the change or a date subsequent to the change instead.*
- (11) *If the term "class" is used in any item to describe securities, the term includes a series of a class.*
- (12) *Disclosure in a preliminary short form prospectus or short form prospectus must be consistent with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities if the issuer is engaged in oil and gas activities (as defined in National Instrument 51-101) and:*

- (a) *has filed or is required to have filed (or has included or is required to have included in another filed document) audited annual financial statements for a financial year that ends on or after December 31, 2003;*
- (b) *has, prior to the date on which it is required to have filed audited financial statements for a financial year that ends on or after December 31, 2003, filed or is required to have filed (or has included or is required to have included in another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;*
- (c) *is filing a preliminary short form prospectus or short form prospectus:*
 - (i) *that includes or is required to include audited financial statements for a financial year ended on or after December 31, 2003;*
 - (ii) *after March 30, 2004 for an initial public offering of securities, and the prospectus includes financial statements for a financial year or interim period that ends on or after December 31, 2003; or*
 - (iii) *after December 31, 2003 and during the issuer's first financial year, and the prospectus includes financial statements for an interim period that ends on or after December 31, 2003; or*
- (d) *indicates in the preliminary short form prospectus or short form prospectus that information disclosed therein is presented in accordance with National Instrument 51-101.*

PART 1 COVER PAGE DISCLOSURE

1.1 Required Language State in italics at the top of the cover page the following:

"No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise."

1.2 Preliminary Short Form Prospectus Disclosure Every preliminary short form prospectus shall have printed in red ink and italics on the top of the cover page the following, with the bracketed information completed:

"A copy of this preliminary short form prospectus has been filed with the securities regulatory authority(ies) in [each of/certain of the provinces/provinces and territories of Canada] but has not yet become final for the purpose of the sale of securities. Information contained in this

preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authority(ies)."

INSTRUCTION Issuers shall complete the bracketed information by

- (1) *inserting the names of each jurisdiction in which the issuer intends to offer securities under the short form prospectus;*
- (2) *stating that the filing has been made in each of the provinces of Canada or each of the provinces and territories; or*
- (3) *identifying the filing jurisdictions by exception (i.e., every province of Canada or every province and territory of Canada, except [excluded jurisdiction]).*

1.3 Basic Disclosure about the Distribution State the following immediately below the disclosure required under Items 1.1 and 1.2, with the bracketed information completed:

[PRELIMINARY] SHORT FORM PROSPECTUS

[INITIAL PUBLIC OFFERING OR NEW ISSUE AND/OR SECONDARY OFFERING]

(Date)

Name of Issuer

[number and type of securities qualified for distribution under the short form prospectus, including any options or warrants, and the price per security]

INSTRUCTIONS

- (1) *The description of the number and type of securities being distributed shall include the restricted share terms, if any, prescribed by securities legislation.*
- (2) *If the offering price is in a currency other than the Canadian dollar or the U.S. dollar, comply with the exchange rate disclosure requirements of National Policy Statement No. 14 Acceptability of Currencies in Material Filed with Securities Regulatory Authorities, or any successor instrument.*

1.4 Distribution

- (1) If the securities are being distributed for cash, provide the information called for below, in substantially the following tabular form or in a note to the table:

	Price to public (a)	Underwriting discounts or commissions (b)	Proceeds to issuer or selling security holders (c)
Per security			
Total			

- (2) If there is an over-allotment option, describe the terms of the option and the fact that the short form prospectus qualifies both the grant of the option and the issuance or transfer of securities that will be issued or transferred if the option is exercised.
- (3) If the distribution of the securities is to be on a best efforts basis, provide totals for both the minimum and maximum subscriptions, if applicable.
- (4) If debt securities are distributed at a premium or a discount, state in **bold type** the effective yield if held to maturity.
- (5) Disclose separately those securities that are underwritten, those under option and those to be sold on a best efforts basis and, in the case of a best efforts distribution, the latest date that the distribution is to remain open.
- (6) In column (b) of the table, disclose only commissions paid or payable in cash by the issuer or selling security holder and discounts granted. Set out in a note to the table
- (a) commissions or other consideration paid or payable by persons or companies other than the issuer or selling security holder;
 - (b) consideration other than discounts granted and cash paid or payable by the issuer or selling security holder, including warrants and options; and
 - (c) any finder's fees or similar required payment.
- (7) If a security is being distributed for the account of a selling security holder, state the name of the selling security holder and a cross-reference to the applicable section in the short form prospectus where further information about the selling security holder is provided. State the portion of expenses

of the distribution to be borne by the selling security holder and, if none of the expenses of the distribution are being borne by the selling security holder, include a statement to that effect and discuss the reasons why this is the case.

- (8) If the underwriter has been granted a compensation option, state whether the short form prospectus qualifies the grant of all or part of the compensation option and provide a cross-reference to the applicable section in the short form prospectus where further information about the compensation option is provided.

INSTRUCTIONS

- (1) *Estimate amounts, if necessary. For non-fixed price distributions that are being made on a best efforts basis, disclosure of the information called for by the table may be set forth as a percentage or a range of percentages and need not be set forth in tabular form.*
- (2) *If debt securities are being distributed, express the information as a percentage.*

1.5 Non-Fixed Price Distributions - If the securities are being distributed at non-fixed prices, disclose

- (a) the discount allowed or commission payable to the underwriter;
- (b) any other compensation payable to the underwriter and, if applicable, that the underwriter's compensation will be increased or decreased by the amount by which the aggregate price paid for the securities by the purchasers exceeds or is less than the gross proceeds paid by the underwriter to the issuer or selling security holder;
- (c) that the securities to be distributed under the short form prospectus will be distributed, as applicable, at
 - (i) prices determined by reference to the prevailing price of a specified security in a specified market,
 - (ii) market prices prevailing at the time of sale, or
 - (iii) prices to be negotiated with purchasers;
- (d) that prices may vary as between purchasers and during the period of distribution;

- (e) if the price of the securities is to be determined by reference to the prevailing price of a specified security in a specified market, the price of the specified security in the specified market at the latest practicable date;
- (f) if the price of the securities will be the market price prevailing at the time of sale, the market price at the latest practicable date; and
- (g) the net proceeds or, if the distribution is to be made on a best efforts basis, the minimum amount of net proceeds, if any, to be received by the issuer or selling security holder.

1.6 Reduced Price Distributions - If an underwriter wishes to be able to decrease the price at which securities are distributed for cash from the initial offering price disclosed in the short form prospectus, include in **bold type** a cross-reference to the section in the short form prospectus where disclosure concerning the possible price decrease is provided.

1.7 Market for Securities

- (1) Identify the exchange(s) and quotation system(s), if any, on which securities of the issuer of the same class as the securities being distributed are traded or quoted and the market price of those securities as of the latest practicable date.
- (2) Disclose any intention to stabilize the market and provide a cross-reference to the section in the short form prospectus where further information about market stabilization is provided.
- (3) If no market for the securities being distributed under the short form prospectus exists or is to exist after the distribution, state the following in **bold type**:

"There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under the short form prospectus."

1.8 Underwriter(s)

- (1) State the name of each underwriter.
- (2) If applicable,
 - (a) until Multilateral Instrument 33-105 Underwriting Conflicts comes into force, provide the disclosure required by Item 15 of Appendix B of National Policy Statement No. 47 Prompt Offering Qualification System as that National Policy read immediately before it was revoked; and

- (b) after Multilateral Instrument 33-105 comes into force, comply with the requirements of Multilateral Instrument 33-105 for cover page prospectus disclosure.
- (3) If an underwriter has agreed to purchase all of the securities being distributed at a specified price and the underwriter's obligations are subject to conditions, state the following, with the bracketed information completed:

"We, as principals, conditionally offer these securities, subject to prior sale, if, as and when issued by [name of issuer] and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under Plan of Distribution."
- (4) If an underwriter has agreed to purchase a specified number or principal amount of the securities at a specified price, state that the securities are to be taken up by the underwriter, if at all, on or before a date not later than 42 days after the date of the receipt for the short form prospectus.
- (5) If there is no underwriter involved in the distribution, provide a statement in **bold type** to the effect that no underwriter has been involved in the preparation of the short form prospectus or performed any review of the contents of the short form prospectus.

1.9 International Issuers - If the issuer, a selling security holder, a credit supporter of the securities being distributed under the short form prospectus or a promoter of the issuer is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, comply with National Instrument 41-101 Prospectus Disclosure Requirements by stating the following on the cover page or under a separate heading elsewhere in the short form prospectus, with the bracketed information completed:

"The [issuer, selling security holder, credit supporter and/or promoter] is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada. Although [the issuer, selling security holder, credit supporter and/or promoter] has appointed [name(s) and address(es) of agent(s) for service] as its agent(s) for service of process in [list jurisdictions] it may not be possible for investors to collect from the issuer, selling security holder, credit supporter or promoter, judgments obtained in Canadian courts predicated on the civil liability provisions of securities legislation."

PART 2 NAME OF ISSUER AND INTERCORPORATE RELATIONSHIPS

2.1 Name of Issuer - State the full corporate name of the issuer or, if the issuer is an unincorporated entity, the full name under which the entity exists and carries on business and the address(es) of the issuer's head and registered office.

2.2 Intercorporate Relationships - Describe, by way of a diagram or otherwise, the intercorporate relationships among the issuer and the issuer's subsidiaries as of the most recent financial year end of the issuer. For each subsidiary state:

- (a) the percentage of the votes attaching to all voting securities of the subsidiary represented by voting securities beneficially owned, or over which control or direction is exercised, by the issuer;
- (b) the percentage of each class of non-voting securities beneficially owned, or over which control or direction is exercised, by the issuer; and
- (c) the place of incorporation or continuance.

INSTRUCTION A particular subsidiary may be omitted if

- (a) *the total assets of the subsidiary do not constitute more than 10 per cent of the consolidated assets of the issuer at the most recent financial year end;*
- (b) *the sales and operating revenues of the subsidiary do not exceed 10 per cent of the consolidated sales and operating revenues of the issuer at the most recent financial year end; and*
- (c) *the conditions in paragraphs (a) and (b) would be satisfied if*
 - (i) *the subsidiaries that may be omitted under paragraphs (a) and (b) were considered in the aggregate, and*
 - (ii) *the reference to 10 per cent in those paragraphs were changed to 20 per cent.*

PART 3 SUMMARY DESCRIPTION OF BUSINESS

3.1 Summary of Description of Business Provide a brief summary on a consolidated basis of the business carried on and intended to be carried on by the issuer.

PART 4 CONSOLIDATED CAPITALIZATION AND FINANCIAL INFORMATION RELEASED

4.1 Consolidated Capitalization - Describe any material change in, and the effect of the material change on, the share and loan capital of the issuer, on a consolidated basis, since the date of the comparative financial statements for

the issuer's most recently completed financial year filed with the securities regulatory authority.

- 4.2 Financial Information of the Issuer Released** If before the short form prospectus is filed, financial information about the issuer for a period for which financial statements are required to be filed is publicly disseminated by or on behalf of the issuer through news release or otherwise, the short form prospectus shall include the content of the news release or public communication.

PART 5 USE OF PROCEEDS

- 5.1 Proceeds** - State the estimated net proceeds to be received by the issuer or selling security holder or, in the case of a non-fixed price distribution or a distribution to be made on a best efforts basis, the minimum amount, if any, of net proceeds to be received by the issuer or selling security holder from the sale of the securities distributed. If the short form prospectus is used for a special warrant or similar transaction, state the amount that has been received by the issuer of the special warrants or similar securities on the sale of the special warrants or similar securities.
- 5.2 Principal Purposes** Describe in reasonable detail and, if appropriate using tabular form, each of the principal purposes, with approximate amounts, for which the net proceeds will be used by the issuer.

PART 6 PLAN OF DISTRIBUTION

- 6.1 Disclosure of Market Outf** If securities are distributed by an underwriter that has agreed to purchase all of the securities at a specified price and the underwriter's obligations are subject to conditions, include a statement in substantially the following form, with the bracketed information completed and with modifications necessary to reflect the terms of the distribution:

"Under an agreement dated [insert date of agreement] between [insert name of issuer or selling security holder] and [insert name(s) of underwriter(s)], as underwriter[s], [insert name of issuer or selling security holder] has agreed to sell and the underwriter[s] [has/have] agreed to purchase on [insert closing date] the securities at a price of [insert offering price], payable in cash to [insert name of issuer or selling security holder] against delivery. The obligations of the underwriter[s] under the agreement may be terminated at [its/their] discretion on the basis of [its/their] assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The underwriter[s] [is/are], however, obligated to take up and pay for all of the securities if any of the securities are purchased under the agreement."

- 6.2 Best Efforts Offering** - Outline briefly the plan of distribution of any securities being distributed other than on the basis described in Item 6.1.
- 6.3 Determination of Price** - Disclose the method by which the distribution price has been or will be determined and, if estimates have been provided, explain the process for determining the estimates.
- 6.4 Over-Allotments** - If the issuer, a selling security holder or an underwriter knows or has reason to believe that there is an intention to over-allot or that the price of any security may be stabilized to facilitate the distribution of the securities, disclose this information.
- 6.5 Minimum Distribution** - If a minimum amount of funds is required under the issue and the securities are to be distributed on a best efforts basis, state the minimum amount required to be raised and the maximum that could be raised. Also indicate that the distribution will not continue for a period of more than 90 days after the date of the receipt for the short form prospectus if subscriptions representing the minimum amount of funds are not obtained within that period, unless each of the persons and companies who subscribed within that period has consented to the continuation.
- 6.6 Reduced Price Distributions** - If an underwriter wishes to be able to decrease the price at which securities are distributed for cash from the initial public offering price disclosed in the short form prospectus and thereafter change, from time to time, the price at which securities are distributed under the short form prospectus in accordance with the procedures permitted by National Instrument 44-101, disclose that, after the underwriter has made a reasonable effort to sell all of the securities at the initial public offering price disclosed in the short form prospectus, the offering price may be decreased, and further changed from time to time, to an amount not greater than the initial offering price disclosed in the short form prospectus and that the compensation realized by the underwriter will be decreased by the amount that the aggregate price paid by purchasers for the securities is less than the gross proceeds paid by the underwriter to the issuer or selling security holder.
- 6.7 Listing Application** If application has been made to list or quote the securities being distributed, include a statement in substantially the following form with the bracketed information completed:
- “The issuer has applied to [list/quote] the securities distributed under this short form prospectus on [name of exchange or other market].
[Listing/Quotation] will be subject to the issuer fulfilling all the listing requirements of [name of exchange or other market].”
- 6.8 Conditional Listing Approval** If application has been made to list or quote the securities being distributed and conditional listing approval has been received, include a statement in substantially the following form, with the bracketed information completed:

"[name of exchange or other market] has conditionally approved the [listing/quotation] of these securities. [Listing/Quotation] is subject to the [name of the issuer] fulfilling all of the requirements of the [name of exchange or market] on or before [date], [including distribution of these securities to a minimum number of public security holders.]"

PART 7 EARNINGS COVERAGE RATIOS

7.1 Earnings Coverage Ratios

- (1) If the securities being distributed are debt securities having a term to maturity in excess of one year or are preferred shares, disclose the following earnings coverage ratios adjusted in accordance with paragraph (2):
 1. The earnings coverage ratio based on the 12 month period ended on the last day of the most recently completed period for which audited annual financial statements of the issuer have been, or are required to have been, filed with any Canadian securities regulatory authority.
 2. The earnings coverage ratio based on the 12 month period ended on the last day of the most recently completed period for which interim financial statements of the issuer have been, or are required to have been, filed with any Canadian securities regulatory authority, if the period is subsequent to the last day of the most recently completed period for which audited annual financial statements of the issuer have been, or are required to have been, filed with any Canadian securities regulatory authority.
- (2) Adjust the ratios referred to in paragraph (1) to reflect
 - (a) the issuance of the securities being distributed under the short form prospectus, based on the price at which these securities are expected to be distributed;
 - (b) in the case of a distribution of preferred shares,
 - (i) all preferred shares issued since the date of the annual or interim financial statements, and
 - (ii) all preferred shares repurchased, redeemed, or otherwise retired since the date of the annual or interim financial statements and all preferred shares to be repurchased, redeemed, or otherwise retired from the proceeds to be

realized from the sale of securities under the short form prospectus;

- (c) the issuance of all long-term financial liabilities, as defined in accordance with the issuer's GAAP;
 - (d) the repayment, redemption or other retirement of all long-term financial liabilities, as defined in accordance with the issuer's GAAP, since the date of the annual or interim financial statements and all long-term financial liabilities to be repaid or redeemed from the proceeds to be realized from the sale of securities distributed under the short form prospectus; and
 - (e) the servicing costs that were incurred, or are expected to be incurred, in relation to the adjustments.
- (3) If the issuer is distributing, or has outstanding, debt securities that are accounted for, in whole or in part, as equity, disclose in notes to the ratios required under paragraph (1)
- (a) that the ratios have been calculated excluding the carrying charges for those securities that have been reflected in equity in the calculation of the issuer's interest and dividend obligations;
 - (b) that if those securities had been accounted for in their entirety as debt for the purpose of calculating the ratios required under paragraph (1), the entire amount of the annual carrying charges for those securities would have been reflected in the calculation of the issuer's interest and dividend obligations; and
 - (c) the earnings coverage ratios for the periods referred to in paragraph (1), calculated as though those securities had been accounted for as debt.

INSTRUCTIONS

- (1) *Cash flow coverage may be disclosed but only as a supplement to earnings coverage and only if the method of calculation is fully disclosed. Earnings coverage is calculated by dividing an entity's earnings (the numerator) by its interest and dividend obligations (the denominator).*
- (2) *For the earnings coverage calculation*
 - (a) *the numerator should be calculated using consolidated net income before interest and income taxes;*

- (b) *imputed interest income from the proceeds of a distribution should not be added to the numerator;*
 - (c) *an issuer may also present, as supplementary disclosure, a coverage calculation based on earnings before discontinued operations and extraordinary items;*
 - (d) *for distributions of debt securities, the appropriate denominator is interest expense determined in accordance with the issuer's GAAP, after giving effect to the new debt issue and any retirement of obligations plus the amount of interest that has been capitalized during the period;*
 - (e) *for distributions of preferred shares*
 - (i) *the appropriate denominator is dividends declared during the period, together with undeclared dividends on cumulative preferred shares, after giving effect to the new preferred share issue, plus the issuer's annual interest requirements, including the amount of interest that has been capitalized during the period, less any retirement obligations,*
 - (ii) *the coverage calculation should gross up dividends to a before-tax equivalent (the "prior deduction method") using the issuer's effective income tax rate (the rate that is reconciled to the basic income tax rate in the issuer's financial statement notes), and*
 - (iii) *the combined interest and dividend method (the "combined method"), and not the prior deduction method, should be used to calculate earnings coverage; and*
 - (f) *for distributions of both debt securities and preferred shares, the appropriate denominator is the same as for a preferred share issue, except that the denominator should also reflect the effect of the debt being offered pursuant to the short form prospectus.*
- (3) *The prior deduction method referred to in Instruction 2(e)(ii) reflects the net coverage for preferred dividends after meeting interest obligations and results in a higher ratio than the combined method. As investors may falsely interpret the higher ratio as indicating less risk, without appreciating the fact that debtholders rank before preferred shareholders, the combined method should be used, although disclosure of a supplementary coverage ratio calculated using the prior deduction method is permitted.*

- (4) *The denominator represents a pro forma calculation of the aggregate of an issuer's interest obligations on all long-term debt and dividend obligations (including both dividends declared and undeclared dividends on cumulative preferred shares) with respect to all outstanding preferred shares, as adjusted to reflect*
- (a) *the issuance of all long-term debt and, in addition in the case of an issuance of preferred shares, all preferred shares issued, since the date of the annual or interim financial statements;*
 - (b) *the issuance of the securities that are to be distributed under the short form prospectus, based on a reasonable estimate of the price at which these securities will be distributed;*
 - (c) *the repayment or redemption of all long-term debt since the date of the annual or interim financial statements, all long-term debt to be repaid or redeemed from the proceeds to be realized from the sale of securities under the short form prospectus and, in addition, in the case of an issuance of preferred shares, all preferred shares repaid or redeemed since the date of the annual or interim financial statements and all preferred shares to be repaid or redeemed from the proceeds to be realized from the sale of securities under the short form prospectus; and*
 - (d) *the servicing costs that were incurred, or will be incurred, in relation to the above adjustments.*
- (5) *If meaningful in the circumstances, the earnings coverage ratio must be calculated and disclosed based on a pro forma income statement that is included in a short form prospectus.*
- (6) *For debt securities, disclosure of earnings coverage shall include language similar to the following:*

"The Company's interest requirements, after giving effect to the issue of [the debt securities to be distributed under the short form prospectus], amounted to \$• for the 12 months ended •. The Company's earnings before interest and income tax for the 12 months then ended was \$•, which is • times the Company's interest requirements for this period."

- (7) *For preferred share issues, disclosure of earnings coverage shall include language similar to the following:*

"The Company's dividend requirements on all of its preferred shares, after giving effect to the issue of [the preferred shares to be distributed under the short form prospectus], and adjusted to a before-tax equivalent using an effective income tax rate of •%, amounted to \$• for the 12 months ended •. The Company's interest requirements for the 12 months then ended amounted to \$•. The Company's earnings before interest and income tax for the 12 months ended • was \$•, which is • times the Company's aggregate dividend and interest requirements for this period."

- (8) *If the issuer is a wholly-owned subsidiary of a credit supporter, has no operations or only minimal operations, that are independent of the credit supporter and is an entity that functions essentially as a special purpose vehicle, disclose the earnings coverage of the credit supporter. If this disclosure is included, the earnings coverage of the issuer may not be material and, if not material, may be omitted. If the issuer is a wholly-owned subsidiary of the credit supporter but has more than minimal operations that are independent of the credit supporter, or if the issuer is not a wholly-owned subsidiary of the credit supporter, the earnings coverage of both the credit supporter and the issuer shall be disclosed.*
- (9) *If the earnings coverage is less than one-to-one, disclose this fact in bold-face on the cover page of the short form prospectus. While the actual coverage ratio should not be disclosed in these circumstances, the dollar amount of the coverage deficiency (i.e., the dollar amount of earnings required to attain a ratio of one-to-one) should be disclosed in the body of the short form prospectus.*
- (10) *Other earnings coverage calculations may be included as supplementary disclosure to the required earnings coverage calculations outlined above as long as their derivation is disclosed and they are not given greater prominence than the required earnings coverage calculations.*

PART 8 DESCRIPTION OF SECURITIES BEING DISTRIBUTED

- 8.1 Shares** - If shares are being distributed, state the description or the designation of the class of the shares and describe all material attributes and characteristics, including

- (a) dividend rights;

- (b) voting rights;
- (c) rights upon dissolution or winding up;
- (d) pre-emptive rights;
- (e) conversion or exchange rights;
- (f) redemption, retraction, purchase for cancellation or surrender provisions;
- (g) sinking or purchase fund provisions;
- (h) provisions permitting or restricting the issuance of additional securities and any other material restrictions; and
- (i) provisions requiring a shareholder to contribute additional capital.

8.2 Debt Securities - If debt securities are being distributed, describe all material attributes and characteristics of the indebtedness and the security, if any, for the debt including

- (a) provisions for interest rate, maturity and premium, if any;
- (b) conversion or exchange rights;
- (c) redemption, retraction, purchase for cancellation or surrender provisions;
- (d) sinking or purchase fund provisions;
- (e) the nature and priority of any security for the debt securities, briefly identifying the principal properties subject to lien or charge;
- (f) provisions permitting or restricting the issuance of additional securities, the incurring of additional indebtedness and other material negative covenants including restrictions against payment of dividends and restrictions against giving security on the assets of the issuer or its subsidiaries and provisions as to the release or substitution of assets securing the debt securities;
- (g) the name of the trustee under any indenture relating to the debt securities and the nature of any material relationship between the trustee or any of its affiliates and the issuer or any of its affiliates; and
- (h) any financial arrangements between the issuer and any of its affiliates or among its affiliates that could affect the security for the indebtedness.

8.3 Asset-backed Securities - If asset-backed securities are being distributed, describe

- (a) the material attributes and characteristics of the asset-backed securities, including
 - (i) the rate of interest or stipulated yield and any premium,
 - (ii) the date for repayment of principal or return of capital and any circumstances in which payments of principal or capital may be made before such date, including any redemption or pre-payment obligations or privileges of the issuer and any events that may trigger early liquidation or amortization of the underlying pool of financial assets,
 - (iii) provisions for the accumulation of cash flows to provide for the repayment of principal or return of capital,
 - (iv) provisions permitting or restricting the issuance of additional securities and any other material negative covenants applicable to the issuer,
 - (v) the nature, order and priority of the entitlements of holders of asset-backed securities and any other entitled persons or companies to receive cash flows generated from the underlying pool of financial assets, and
 - (vi) any events, covenants, standards or preconditions that may reasonably be expected to affect the timing or amount of payments or distributions to be made under the asset-backed securities, including those that are dependent or based on the economic performance of the underlying pool of financial assets;
- (b) information on the underlying pool of financial assets, for the period from the date as at which the following information was presented in the issuer's current AIF to a date not more than 90 days before the date of the issuance of a receipt for the preliminary short form prospectus, of
 - (i) the composition of the pool as of the end of the period,
 - (ii) income and losses from the pool for the period, presented on an at least an annual basis or such shorter period as is reasonable given the nature of the underlying pool of assets, and
 - (iii) the payment, prepayment and collection experience of the pool for the period on at least an annual basis or such

shorter period as is reasonable given the nature of the underlying pool of assets,

- (c) the type or types of the financial assets, the manner in which the financial assets originated or will originate and, if applicable, the mechanism and terms of the agreement governing the transfer of the financial assets comprising the underlying pool to or through the issuer, including the consideration paid for the financial assets;
- (d) any person or company who
 - (i) originated, sold or deposited a material portion of the financial assets comprising the pool, or has agreed to do so,
 - (ii) acts, or has agreed to act, as a trustee, custodian, bailee or agent of the issuer or any holder of the asset-backed securities, or in a similar capacity,
 - (iii) administers or services a material portion of the financial assets comprising the pool or provides administrative or managerial services to the issuer, or has agreed to do so, on a conditional basis or otherwise, if
 - (A) finding a replacement provider of the services at a cost comparable to the cost of the current provider is not reasonably likely,
 - (B) a replacement provider of the services is likely to achieve materially worse results than the current provider,
 - (C) the current provider of the services is likely to default in its service obligations because of its current financial condition, or
 - (D) the disclosure is otherwise material,
 - (iv) provides a guarantee, alternative credit support or other credit enhancement to support the obligations of the issuer under the asset-backed securities or the performance of some or all of the financial assets in the pool, or has agreed to do so, or
 - (v) lends to the issuer in order to facilitate the timely payment or repayment of amounts payable under the asset-backed securities, or has agreed to do so;

- (e) the general business activities and material responsibilities under the asset-backed securities of a person or company referred to in paragraph (d);
- (f) the terms of any material relationships between
 - (i) any of the persons or companies referred to in paragraph (d) or any of their respective affiliates, and
 - (ii) the issuer;
- (g) any provisions relating to termination of services or responsibilities of any of the persons or companies referred to in paragraph (d) and the terms on which a replacement may be appointed; and
- (h) any risk factors associated with the asset-backed securities, including disclosure of material risks associated with changes in interest rates or prepayment levels, and any circumstances where payments on the asset-backed securities could be impaired or disrupted as a result of any reasonably foreseeable event that may delay, divert or disrupt the cash flows dedicated to service the asset-backed securities.

INSTRUCTIONS

- (1) *Present the information required under paragraph (b) in a manner that will enable a reader to easily determine whether, and the extent to which, the events, covenants, standards and preconditions referred to in clause (a)(vi) have occurred, are being satisfied or may be satisfied.*
- (2) *If the information required under paragraph (b) is not compiled specifically from the underlying pool of financial assets, but is compiled from a larger pool of the same assets from which the securitized assets are randomly selected such that the performance of the larger pool is representative of the performance of the pool of securitized assets, then an issuer may comply with paragraph (b) by providing the information required based on the larger pool and disclosing that it has done so.*
- (3) *Issuers are required to summarize contractual arrangements in plain language and may not merely restate the text of the contracts referred to. The use of diagrams to illustrate the roles of, and the relationship among, the persons and companies referred to in paragraph (d) and the contractual arrangements underlying the asset-backed securities is encouraged.*

8.4 Specified Derivatives - If specified derivatives are being distributed, describe fully the material attributes and characteristics of the specified derivatives, including

- (a) the calculation of the value or payment obligations under the derivatives;
- (b) the exercise of the derivatives;
- (c) the settlement of exercises of the derivatives;
- (d) the underlying interest of the derivatives;
- (e) the role of a calculation expert in connection with the derivatives;
- (f) the role of any credit supporter of the derivatives; and
- (g) the risk factors associated with the derivatives.

8.5 Other Securities - If securities other than shares, debt securities, asset-backed securities or specified derivatives are being distributed, describe fully the material attributes and characteristics of those securities.

8.6 Modification of Terms - Describe provisions as to modification, amendment or variation of any rights or other terms attached to the securities being distributed. If the rights of holders of securities may be modified otherwise than in accordance with the provisions attached to the securities or the provisions of the governing statute relating to the securities, explain briefly.

8.7 Ratings - If one or more ratings, including provisional ratings, have been received from one or more approved rating organizations for the securities being distributed and the rating or ratings continue in effect, disclose

- (a) each security rating, including a provisional rating, received from an approved rating organization;
- (b) the name of each approved rating organization that has assigned a rating for the securities to be distributed;
- (c) a definition or description of the category in which each approved rating organization rated the securities to be distributed and the relative rank of each rating within the organization's overall classification system;
- (d) an explanation of what the rating addresses and what attributes, if any, of the securities to be distributed are not addressed by the rating;

- (e) any factors or considerations identified by the approved rating organization as giving rise to unusual risks associated with the securities to be distributed;
- (f) a statement that a security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization; and
- (g) any announcement made by, or any proposed announcement known to the issuer to be made by, an approved rating organization that the organization is reviewing or intends to revise or withdraw a rating previously assigned and required to be disclosed under this paragraph.

8.8 Constraints - If there are constraints imposed on the ownership of securities of the issuer to ensure that the issuer has a required level of Canadian ownership, describe the mechanism, if any, by which the level of Canadian ownership of the securities of the issuer will be monitored and maintained.

8.9 Other Attributes

- (1) If the rights attaching to the securities being distributed are materially limited or qualified by the rights of any other class of securities, or if any other class of securities ranks ahead of or equally with the securities being distributed, include information about the other securities that will enable investors to understand the rights attaching to the securities being distributed.
- (2) If securities of the class being distributed may be partially redeemed or repurchased, state the manner of selecting the securities to be redeemed or repurchased.

INSTRUCTIONS

- (1) *This Item requires only a brief summary of the provisions that are material from an investment standpoint. The provisions attaching to the securities being distributed or any other class of securities do not need to be set out in full. They may, in the issuer's discretion, be attached as a schedule to the prospectus.*
- (2) *No information need be given as to any class of securities that is to be redeemed or otherwise retired if appropriate steps to assure redemption or retirement have been or will be taken before or contemporaneously with the delivery of the securities being distributed.*

PART 9 SELLING SECURITY HOLDER

9.1 Selling Security Holder - If any of the securities being distributed are to be distributed for the account of a security holder, state the following:

1. The name of the security holder.
2. The number or amount of securities owned by the security holder of the class being distributed.
3. The number or amount of securities of the class being distributed for the account of the security holder.
4. The number or amount of securities of the issuer of any class to be owned by the security holder after the distribution, and the percentage that number or amount represents of the total outstanding.
5. Whether the securities referred to in paragraph 2, 3 or 4 are owned both of record and beneficially, of record only, or beneficially only.
6. The date or dates the security holder acquired the securities.
7. If the security holder in the 12 months preceding the date of the preliminary short form prospectus acquired any securities of the same class as the securities being distributed, the cost to the security holder in the aggregate and on a per security basis.

PART 10 RESOURCE PROPERTY

10.1 Resource Property – If a material part of the proceeds of a distribution is to be expended on a particular resource property and if the current AIF does not contain the disclosure required under Item 4.3 or 4.4, as appropriate, of Form 44-101F1, or section 5.4 or 5.5, as appropriate, of Form 51-102F2, for the property or that disclosure is inadequate or incorrect due to changes, disclose the information required under section 5.4 or 5.5 of Form 51-102F2.

10.2 Oil and Gas Activities

- (1) Unless paragraph (2) applies, if a material part of the proceeds of a distribution is to be expended on a particular oil and gas property and if the current AIF does not contain the disclosure required under Item 4.4 of Form 44-101F1 for that property or the disclosure is inadequate or incorrect due to changes, disclose the information required under that Item 4.4.
- (2)

(a) This paragraph applies to an issuer that is engaged in oil and gas activities (as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*) and that:

- (i) has filed or is required to have filed (or has included or is required to have included in another filed document) audited annual financial statements for a financial year that ends on or after December 31, 2003;
- (ii) has, prior to the date on which it is required to file audited financial statements for a financial year that ends on or after December 31, 2003, filed (or included in another filed document) the statement referred to in Item 1 of section 2.1 of National Instrument 51-101;
- (iii) is filing the short form prospectus:
 - (A) including audited financial statements for a financial year ended on or after December 31, 2003;
 - (B) after March 30, 2004 in respect of an initial public offering of securities, and the prospectus includes financial statements for a financial year or interim period that ends on or after December 31, 2003; or
 - (C) after December 31, 2003 and during the issuer's first financial year, and the prospectus includes financial statements for an interim period that ends on or after December 31, 2003; or
- (iv) indicates in the preliminary short form prospectus or short form prospectus that information disclosed therein is presented in accordance with National Instrument 51-101.

(b) To the extent not included in the current AIF or in a material change report filed subsequent to the filing of the current AIF, provide:

- (i) the information that would be required under Item 4.5 of Form 44-101F1 if the AIF were being filed on the date of the preliminary short form prospectus or short form prospectus; and
- (ii) any other information required in the statement referred to in Item 1 of section 2.1 of National Instrument 51-101:
 - (A) as at the end of, or for, the most recent financial year for which the short form prospectus includes an audited balance sheet of the issuer; or
 - (B) in the absence of a completed financial year referred to in clause (A), as at the most recent date as at which the short

form prospectus includes an audited balance sheet of the issuer, and for the greatest portion of a financial year that includes the date of that balance sheet and for which the short form prospectus includes an audited income statement of the issuer.

PART 11 SIGNIFICANT ACQUISITIONS AND SIGNIFICANT DISPOSITIONS

11.1 Significant Acquisitions and Significant Dispositions

- (1) Disclose
 - (a) any significant acquisition completed by the issuer or any significant probable acquisition proposed by the issuer, for which financial statements are required under Part 4 or 5 of the National Instrument; and
 - (b) any significant disposition completed by the issuer during the most recently completed financial year or the current financial year for which pro forma financial statements are required under Part 6 of the National Instrument.
- (2) Include particulars of
 - (a) the nature of the assets acquired or disposed of or to be acquired or disposed of;
 - (b) the actual or proposed date of each significant acquisition or significant disposition;
 - (c) the consideration, both monetary and non-monetary, paid or to be paid to or by the issuer;
 - (d) any material obligations that must be complied with to keep any significant acquisition or significant disposition agreement in good standing;
 - (e) the effect of the significant acquisition or significant disposition on the operating results and financial position of the issuer;
 - (f) any valuation opinion obtained within the last 12 months required under Canadian securities legislation or Canadian securities directions of a Canadian securities regulatory authority or a requirement of a Canadian stock exchange to support the value of the consideration received or paid by the issuer or any of its subsidiaries for the assets, including the name of the author, the date of the opinion, the assets to which the opinion relates and the value attributed to the assets; and

- (g) whether the transaction is with an insider, associate, or affiliate of the issuer and if so, disclose the identity of the other parties and the relationship of the other parties to the issuer.
- (3) Include the financial statements required under Part 4 of National Instrument 44-101.

PART 12 DOCUMENTS INCORPORATED BY REFERENCE

12.1 Mandatory Incorporation by Reference

- (1) In addition to any other document that an issuer may choose to incorporate by reference, specifically incorporate by reference in the short form prospectus, by means of a statement in the short form prospectus to that effect, the documents set forth below:
 - 1. The issuer's current AIF, if it has one.
 - 2. Material change reports, except confidential material change reports, filed after the commencement of the issuer's current financial year.
 - 3. The comparative interim financial statements for the issuer's most recently completed financial period for which the issuer prepares interim financial statements that have been filed.
 - 4. The comparative financial statements, together with the accompanying report of the auditor, for the issuer's most recently completed financial year for which annual financial statements have been filed.
 - 5. If, before the prospectus is filed, financial information about the issuer for a financial period more recent than the period for which financial statements are required under paragraphs 3 or 4 is publicly disseminated by, or on behalf of, the issuer through news release or otherwise, the content of the news release or public communication.
 - 6. MD&A for the annual comparative financial statements referred to in paragraph 4.
 - 7. MD&A relating to the issuer's interim financial statements included in the short form prospectus.
 - 8. Except as provided in Item 12.5, information circulars or, for financial years beginning before January 1, 2004, if the issuer is not required under securities legislation to prepare information circulars, annual

filings that, in each case, have been filed after the commencement of the issuer's current financial year.

- (2) In the statement incorporating the documents listed in paragraph (1) by reference in a short form prospectus, clarify that the documents are not incorporated by reference to the extent their contents are modified or superseded by a statement contained in the short form prospectus or in any other subsequently filed document that is also incorporated by reference in the short form prospectus.
- (3) If the issuer
 - (a) has filed an AIF in a form of current annual report on Form 10-K, Form 10-KSB or Form 20-F under the 1934 Act, as permitted under section 3.4 of National Instrument 44-101 and under NI 51-102;
 - (b) is required by subsection 4.1(1) of NI 52-107 to provide a reconciliation to Canadian GAAP; and
 - (c) has based the discussion in the MD&A that forms part of the AIF on financial statements prepared in accordance with US GAAP, and

the issuer shall incorporate by reference a supplement which shall restate, based on financial statements of the issuer prepared in accordance with Canadian GAAP, those parts of the annual MD&A that are based on financial statements prepared in accordance with US GAAP which would read differently if they were based on financial statements prepared in accordance with Canadian GAAP.

INSTRUCTION

- (1) *Paragraph 3 of subsection (1), requires issuers to include interim financial statements for only the most recently completed three, six or nine month period. (See the definition of "interim period" in National Instrument 44-101.) Issuers that choose to incorporate additional interim financial statements are reminded that subsection 10.3 of National Instrument 44-101 requires a comfort letter from an auditor to be delivered, commenting on any unaudited financial statement included in the short form prospectus.*
- (2) *Paragraph 5 of subsection (1) requires issuers to incorporate only the news release or other public communication through which more recent financial information is released to the public. However, if the financial statements from which the information in the news release has been derived have been filed, then the financial statements must be incorporated by reference.*

- (3) *Paragraph 6 of subsection (1) is a document that forms part of or is incorporated by reference in an issuer's AIF.*
- (4) *Any material incorporated by reference in a short form prospectus is required under sections 10.2 and 10.3 of National Instrument 44-101 to be filed with the short form prospectus unless it has been previously filed.*

12.2 Mandatory Incorporation by Reference of Future Documents - State that the following documents, if filed by the issuer after the date of the short form prospectus and before the termination of the distribution, are deemed to be incorporated by reference in the short form prospectus:

- 1. Material change reports, except confidential material change reports.
- 2. Comparative interim financial statements.
- 3. Comparative financial statements for the issuer's most recently completed financial year, together with the accompanying report of the auditor.
- 4. Except as provided in Item 12.5, information circulars or, for financial years beginning before January 1, 2004, if the issuer is not required under securities legislation to prepare information circulars, annual filings.

12.3 Exception for Guaranteed Securities - Despite Items 12.1 and 12.2, paragraphs 3 and 4 of Item 12.1(1) do not apply to an issuer to which paragraph 1 or 2 of Item 13.1 applies.

12.4 Required Language - State the following, with the first sentence in **bold type** and the bracketed information completed:

"Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of the issuer at [insert complete address and telephone number]. [Insert if the offering is made in Quebec - "For the purpose of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the secretary of the issuer at the above-mentioned address and telephone number"]."

12.5 Exception for Certain Filings

- (1) An issuer is not required to incorporate by reference in a short form prospectus the disclosure required under securities legislation in an information circular or annual filing of

- (a) the repricing downward of options or freestanding stock appreciation rights;
 - (b) the composition of the compensation committee of the board of directors of an issuer and its report on executive compensation; and
 - (c) a graph comparing the yearly percentage change in the issuer's cumulative total shareholder return on publicly traded securities with the cumulative total return of a broad equity market index or a published industry or line-of-business index or other issuers.
- (2) An issuer is not required to incorporate by reference in a short form prospectus disclosure in an information circular of an issuer's corporate governance practices, if that disclosure is in the information circular in order to comply with disclosure requirements of an exchange or other market on which the issuer's securities trade.

12.6 List of Material Change Reports - List the material change reports filed by the issuer since the commencement of the issuer's current financial year. In each case, provide the date of filing and a brief description of the material change.

12.7 Reverse Take-Overs - If an issuer has been involved in a business combination accounted for as a reverse take-over bid, financial statements of the legal subsidiary, as that term is used in the Handbook, shall be incorporated by reference in the short form prospectus.

PART 13 ISSUES OF GUARANTEED SECURITIES

13.1 Issuer Disclosure

- (1) If a credit supporter has provided a guarantee or alternative credit support to the issuer for all or substantially all of the payments to be made under the securities to be distributed, provide the following disclosure about the issuer:
- 1. If the issuer is a wholly owned subsidiary of the credit supporter, has no operations or only minimal operations that are independent of the credit supporter and is an entity that functions essentially as a special purpose division of the credit supporter, a statement that the financial results of the issuer are included in the consolidated financial results of the credit supporter.
 - 2. If the issuer is a wholly owned subsidiary of the credit supporter but has more than minimal operations that are independent of the credit supporter, a summary of financial information relating to the issuer's operations in a note to the most recent audited annual

financial statements of the credit supporter included in the short form prospectus.

3. If the issuer is not a wholly owned subsidiary of the credit supporter, a full narrative description of the business of the issuer.
- (2) If paragraph 3 of paragraph (1) applies to an issuer and the issuer does not have a current AIF that is incorporated by reference into the short form prospectus, include the required description either
- (a) directly, or
 - (b) by incorporating by reference
 - (i) if the issuer is a reporting issuer and has an annual information form that has been prepared in compliance with and filed under Canadian securities legislation of a jurisdiction and would be a current AIF if that annual information form had been filed under National Instrument 44-101, the issuer's annual information form and all other documents required to be incorporated by reference in a short form prospectus under Item 12, or
 - (ii) if clause (i) is not applicable and the issuer has a class of securities registered under section 12(b) or 12(g) of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act, the issuer's latest annual report on Form 10-K, Form 10-KSB or Form 20-F filed with the SEC under the 1934 Act or any other document that would be required to be incorporated by reference in a Form S-3 or Form F-3 registration statement filed under the 1933 Act if the issuer were registering on Form S-3 or Form F-3 the securities distributed under the short form prospectus.

INSTRUCTION

For purposes of Item 13.1, an issuer is considered to be a wholly owned subsidiary of the credit supporter, if the credit supporter owns voting securities representing 96 per cent or more of the votes attached to the outstanding voting securities of the issuer.

13.2 Credit Supporter Disclosure - If a credit supporter has provided a guarantee or alternative credit support for all or substantially all of the payments to be made under the securities being distributed, include statements by the credit supporter providing disclosure about the credit supporter by complying with the following:

1. If the credit supporter is a reporting issuer and has a current AIF or an annual information form that has been prepared in compliance with and filed under Canadian securities legislation of a jurisdiction and would be a current AIF if that annual information form had been filed under National

Instrument 44-101, incorporating by reference into the short form prospectus the credit supporter's annual information form and all other documents that would be required to be incorporated by reference under Item 12 if the credit supporter were the issuer of the securities.

2. If paragraph 1 is not applicable and the credit supporter has a class of securities registered under section 12(b) or 12(g) of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act, incorporating by reference into the short form prospectus all documents that would be required to be incorporated by reference in a Form S-3 or Form F-3 registration statement filed under the 1933 Act if the securities distributed under the short form prospectus were being registered on Form S-3 or Form F-3.
3. If neither paragraph 1 nor paragraph 2 applies to the credit supporter, providing directly in the short form prospectus the same disclosure that would be contained in the short form prospectus through the incorporation by reference of the documents referred to in Item 12.1 if the credit supporter were the issuer of the securities and those documents had been prepared by the credit supporter.
4. Providing such other information about the credit supporter as is necessary to provide full, true and plain disclosure of all material facts concerning the securities to be distributed.

INSTRUCTION Documents incorporated by reference are required under sections 8.1 and 8.2 of National Instrument 44-101 to be filed with the short form prospectus unless they have been previously filed.

PART 14 RELATIONSHIP BETWEEN ISSUER OR SELLING SECURITY HOLDER AND UNDERWRITER

- 14.1 Relationship between Issuer or Selling Security holder and Underwriter** - If the issuer or selling security holder is a connected issuer of an underwriter of the distribution, or if the issuer or selling security holder is also an underwriter,
- (a) until Multilateral Instrument 33-105 Underwriting Conflicts comes into force, provide the disclosure required by Item 15 of Appendix B of National Policy Statement No. 47 Prompt Offering Qualification System as that National Policy read immediately before it was revoked; and
 - (b) after Multilateral Instrument 33-105 comes into force, comply with the requirements of that Multilateral Instrument.

PART 15 INTEREST OF EXPERTS

15.1 Interest of Experts

- (1) Disclose all direct or indirect interests in the property of the issuer or of an associated party or affiliate of the issuer received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named in a short form prospectus or a document specifically incorporated by reference in a short form prospectus as having prepared or certified a part of that document or a report or valuation described in a short form prospectus or in a document specifically incorporated by reference into a short form prospectus.
- (2) Disclose the beneficial ownership, direct or indirect, by a person or company referred to in paragraph (1) of any securities of the issuer or any associated party or affiliate of the issuer.
- (3) For the purposes of paragraph (2), if ownership is less than one per cent, a general statement to that effect shall be sufficient.
- (4) If a person, or a director, officer or employee of a person or company, referred to in paragraph (1) is or is expected to be elected, appointed or employed as a director, officer or employee of the issuer or of any associated party or affiliate of the issuer, disclose the fact or expectation.

PART 16 PROMOTERS

16.1 Promoters

- (1) For a person or company that is, or has been within the two years immediately preceding the date of the preliminary short form prospectus, a promoter of the issuer or of a subsidiary of the issuer state
 - (a) the person or company's name;
 - (b) the number and percentage of each class of voting securities of the issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control is exercised by the person or company;
 - (c) the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter or a subsidiary of the promoter, directly or indirectly, from the issuer or from a subsidiary of the issuer, and the nature and amount of any assets, services or other consideration therefor received or to be received by the issuer or a subsidiary of the issuer; and

- (d) for an asset acquired within the two years before the date of the preliminary short form prospectus or thereafter, or to be acquired, by the issuer or by a subsidiary of the issuer from a promoter or a subsidiary of a promoter
 - (i) the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined,
 - (ii) the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with the issuer, the promoter, or an affiliate of the issuer or of the promoter, and
 - (iii) the date that the asset was acquired by the promoter and the cost of the asset to the promoter.
- (2) If a promoter or past promoter referred to in paragraph (1) has been a director, officer or promoter of any person or company during the 10 years ending on the date of the preliminary short form prospectus that
 - (a) was the subject of a cease trade or similar order, or an order that denied the person or company access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect; or
 - (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.
- (3) Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a promoter or past promoter referred to in paragraph (1) has
 - (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
 - (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

- (4) Despite paragraph (3), no disclosure is required of a settlement agreement entered into before the date National Instrument 44-101 came into force unless the disclosure would likely be considered important to a reasonable investor in making an investment decision.
- (5) If a promoter or past promoter referred to in paragraph (1) has, within the 10 years before the date of the preliminary short form prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the promoter, state the fact.

PART 17 RISK FACTORS

- 17.1 Risk Factors** - Describe the factors material to the issuer that a reasonable investor would consider relevant to an investment in the securities being distributed.

PART 18 OTHER MATERIAL FACTS

- 18.1 Other Material Facts** - Give particulars of any material facts about the securities being distributed that are not disclosed under the preceding items or in the documents incorporated by reference into the short form prospectus and are necessary in order for the short form prospectus to contain full, true and plain disclosure of all material facts relating to the securities to be distributed.

PART 19 STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

- 19.1 General** - Include a statement in substantially the following form, with the bracketed information completed:

"Securities legislation in [certain of the provinces [and territories] of Canada/the Province of [insert name of local jurisdiction, if applicable]] provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. [In several of the provinces/provinces and territories,] [T/t]he securities legislation further provides a purchaser with remedies for rescission [or [, in some jurisdictions,] damages] if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission [or damages] are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province [or territory]. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's

province [or territory] for the particulars of these rights or consult with a legal adviser."

- 19.2 Non-fixed Price Offerings** - In the case of a non-fixed price offering, replace, if applicable in the jurisdiction in which the short form prospectus is filed, the second sentence in the legend in Item 19.1 with a statement in substantially the following form:

"This right may only be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment, irrespective of the determination at a later date of the purchase price of the securities distributed."

PART 20 RECONCILIATION TO CANADIAN GAAP

- 20.1 Reconciliation to Canadian GAAP** - If the short form prospectus includes financial statements not prepared in accordance with Canadian GAAP and the short form prospectus does not include a reconciliation to Canadian GAAP, include any reconciliation to Canadian GAAP required under NI 52-107.

PART 21 CERTIFICATES

- 21.1 Officers, Directors and Promoters** - Include a certificate in the following form signed by

- (a) the chief executive officer and the chief financial officer or, if no such officers have been appointed, a person acting on behalf of the issuer in a capacity similar to a chief executive officer and a person acting on behalf of the issuer in a capacity similar to that of a chief financial officer;
- (b) on behalf of the board of directors of the issuer, any two directors of the issuer duly authorized to sign, other than the persons referred to in paragraph (a), and
- (c) any person or company who is a promoter of the issuer:

"This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of [insert name of each jurisdiction in which qualified]. [Insert if offering made in Quebec – "For the purpose of the Province of Quebec, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect

the value or the market price of the securities to be distributed.”]”

- 21.2 Underwriters** If there is an underwriter, include a certificate in the following form signed by the underwriter or underwriters who, with respect to the securities being distributed, are in a contractual relationship with the issuer or selling security holders:

“To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of [insert name of each jurisdiction in which qualified]. [Insert if offering made in Quebec – “For the purpose of the Province of Quebec, to our knowledge, this simplified prospectus, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.”]”

- 21.3 Related Credit Supporters** If disclosure concerning a credit supporter is prescribed by Item 13.2 and the credit supporter is a related credit supporter, an issuer shall include a certificate of the related credit supporter in the form required in Item 21.1 signed by

- (a) the chief executive officer and the chief financial officer or, if no such officers have been appointed, a person acting on behalf of the related credit supporter in a capacity similar to a chief executive officer and a person acting on behalf of the related credit supporter in a capacity similar to that of a chief financial officer; and
- (b) on behalf of the board of directors of the related credit supporter, any two directors of the related credit supporter duly authorized to sign, other than the persons referred to in paragraph (a).

21.4 Amendments

- (1) Include in an amendment to a short form prospectus that does not restate the short form prospectus the certificates required under Items 21.1, 21.2 and, if applicable, Item 21.3 with the reference in each certificate to “this short form prospectus” omitted and replaced by “the short form prospectus dated [insert date] as amended by this amendment”.

- (2) Include in an amended and restated short form prospectus the certificates required under Items 21.1, 21.2 and, if applicable, Item 21.3 with the reference in each certificate to "this short form prospectus" omitted and replaced by "this amended and restated short form prospectus".

Effective Date: December 31, 2000
Amended: September 30, 2004
Amended: March 30, 2004
Amended: January 4, 2005
Consolidated: May 19, 2005

**COMPANION POLICY
TO NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS**

TABLE OF CONTENTS

Part 1	INTRODUCTION AND DEFINITIONS	1
1.1	Introduction and Purpose.....	1
1.2	Interrelationship With Local Securities Legislation	1
1.3	Interrelationship with MRRS.....	1
1.4	Interrelationship with Selective Review	2
1.5	Interrelationship With Shelf Distributions (National Instrument 44-102)	2
1.6	Inter-relationship With PREP Procedures (National Instrument 44-103)	2
1.7	Definitions	3
Part 2	QUALIFICATION TO FILE A PROSPECTUS IN THE FORM OF A SHORT FORM PROSPECTUS.....	5
2.1	Basic Qualification Criteria	5
2.2	Alternative Eligibility Criteria: Issuers that have not been Reporting Issuers for 12 Months in any Jurisdiction (Sections 2.3, 2.5, 2.6, 2.7, and 2.8 of the National Instrument)	6
2.3	Calculation of the Aggregate Market Value of an Issuer's Equity Securities (Section 2.9 of the National Instrument)	7
2.4	Alternative Qualification Criteria for Substantial Issuers (Section 2.3 of the National Instrument)	9
2.5	Alternative Qualification Criteria for Issuers of Guaranteed Debt Securities, Preferred Shares and Cash Settled Derivatives (Sections 2.5 and 2.6 of the National Instrument)	9
2.6	Alternative Qualification Criteria for Asset-Backed Securities (Section 2.7 of the National Instrument)	9
2.7	Reorganizations (Section 2.8 of the National Instrument)	10
2.8	Adoption by Successor Issuer of a Participant's AIF Following a Reorganization (Section 2.10 of the National Instrument)	11
Part 3	AIF	11
3.1	Initial AIF Review Procedures (Section 3.1 of the National Instrument)	11
3.2	Renewal AIF Filing and Review Procedures (Section 3.2 of the National Instrument)	12
3.3	Supporting Documents (Section 3.3 of the National Instrument)	13

Part 4	FINANCIAL MATTERS.....	14
4.1	Financial Statement Requirements - Explanation of the 60 and 90 Day References.....	14
4.2	Additional Financial Statements or Financial Information Filed or Released	15
4.3	Audit Report for All Financial Statements Included in the Short Form Prospectus	15
4.4	Exemption from Audit Report if not Previously Included in a Short Form Prospectus.....	16
4.5	Timing of Requests for Exemptions from the Financial Statement Requirements	16
4.6	Applications for Exemption from Requirement to Include Financial Statements of the Issuer	16
4.7	Reverse Take-overs	18
Part 5	DISCLOSURE IN A SHORT FORM PROSPECTUS OF FINANCIAL STATEMENTS FOR SIGNIFICANT ACQUISITIONS, SIGNIFICANT DISPOSITIONS AND MULTIPLE ACQUISITIONS	18
5.1	Financial Statement Disclosure of Significant Acquisitions and Multiple Acquisitions	18
5.2	Acquisition of a Business	18
5.3	Acquisition of an Interest in an Oil and Gas Property.....	19
5.4	Probable Acquisitions.....	21
5.5	Significant Acquisitions Completed During the Issuer's Three Most Recently Completed Financial Years	22
5.6	Significant Acquisitions Completed During the Issuer's Current Financial Year ..	22
5.7	Timing of Significance Tests	22
5.8	Acquisition of a Business when the Financial Statements of the Business are Prepared in Accordance with GAAP that is not the Issuer's GAAP	23
5.9	Acquisition of a Previously Unaudited Business.....	24
5.10	Application of the Significance Tests when the Financial Year Ends of the Issuer and the Acquired Business are Non-Coterminous.....	24
5.11	Application of Investment Test for Significance of an Acquisition	24
5.12	Application of Income Test for Significance of an Acquisition	25
5.13	Financial Statements for Interim and Pre-acquisition Periods	25
5.14	Acquisition of Related Businesses.....	26
5.15	Financial Statement Disclosure for Unrelated Individually Insignificant Acquisitions	26
5.16	Preparation of Divisional and Carve-out Financial Statements.....	27
5.17	Preparation of <i>Pro Forma</i> Financial Statements Giving Effect to Significant Acquisitions	29
5.18	Significant Dispositions.....	32
5.19	Preparation of <i>Pro Forma</i> Financial Statements Giving Effect to Significant Dispositions	32
5.20	Exemptions from Parts 4 and 5 of the National Instrument.....	34
Part 6	GAAP, GAAS, AND AUDITOR'S REPORTS	36
6.1	GAAP and GAAS.....	36
6.2	[repealed January 4, 2005]	36

6.3	Auditor's Comfort Letters	36
Part 7	FILING AND RECEIPTING OF SHORT FORM PROSPECTUS	36
7.1	Confidential Material Change Reports	36
7.2	Supporting Documents	37
7.3	Experts' Consent	37
7.4	Material Contracts	37
7.5	Amendments and Incorporation by Reference of Subsequently Filed Material Change Reports	37
7.6	Short Form Prospectus Review	38
7.7	"Waiting Period"	38
7.8	Refusal to Issue Prospectus Receipt	38
7.9	Registration Requirements	38
Part 8	CONTENT OF AIF	38
8.1	Issuers of Asset-backed Securities	38
8.2	Non-corporate Issuers	39
Part 9	CONTENT OF SHORT FORM PROSPECTUS	39
9.1	Prospectus Liability	39
9.2	Style of Prospectus	40
9.3	Firm Commitment Underwritings	40
9.4	Minimum Distribution	40
9.5	Distribution of Asset-backed Securities	41
9.6	Distribution of Specified Derivatives	42
9.7	Underlying Securities	42
9.8	Financial Statements	42
Part 10	CIRCULARS	42
10.1	Fee for Documents	43
Part 11	CERTIFICATES	43
11.1	Non-corporate Issuers	43
11.2	Promoters of Issuers of Asset-backed Securities	43
	Appendix A - Overview of business acquisitions decision chart	45
	Appendix B - Illustrative Examples	47

**COMPANION POLICY 44-101CP
TO NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS**

PART 1 INTRODUCTION AND DEFINITIONS

- 1.1 Introduction and Purpose** - National Instrument 44-101 (the "National Instrument") replaces National Policy Statement No. 47 Prompt Offering Qualification System ("NP47") and sets out the substantive test for an issuer to qualify to file a prospectus in the form of a short form prospectus. The purpose of the National Instrument is the same as NP47's: to shorten the time period in which, and streamline the procedures by which, qualified issuers and their selling security holders can obtain access to the Canadian capital markets through a prospectus offering.

British Columbia, Alberta, Ontario, Manitoba and Nova Scotia have adopted the National Instrument by way of rule. Saskatchewan has adopted it by way of regulation. Quebec has adopted it by way of policy. All other jurisdictions have adopted National Instrument 44-101 by way of related blanket ruling or order. Each jurisdiction implements the National Instrument by one or more instruments forming part of the law of that jurisdiction (referred to as the "implementing law of the jurisdiction"). Depending on the jurisdiction, the implementing law of the jurisdiction can take the form of regulation, rule, ruling or order.

This Companion Policy to the National Instrument (also referred to as "this Companion Policy" or this "Policy") provides information relating to the manner in which the provisions of the National Instrument are intended to be interpreted or applied by the Canadian securities regulatory authorities, as well as the exercise of discretion under the National Instrument. Terms used and not defined in this Companion Policy that are defined or interpreted in the National Instrument or a definition instrument in force in the jurisdiction should be read in accordance with the National Instrument or definition instrument, unless the context otherwise requires.

To the extent that any provision of this Policy is inconsistent or conflicts with the applicable provisions of the National Instrument in those jurisdictions that have adopted the National Instrument by way of related blanket ruling or order, the provisions of the National Instrument prevail over the provisions of this Policy.

- 1.2 Interrelationship With Local Securities Legislation** - The National Instrument, while being the primary instrument regulating short form prospectus distributions, is not exhaustive. Issuers are reminded to refer to the implementing law of the jurisdiction and other securities legislation of the local jurisdiction for additional requirements that may be applicable to the issuer's short form prospectus distribution.
- 1.3 Interrelationship with MRRS** - National Policy 43-201 Mutual Reliance Review System for Prospectuses and AIFs ("National Policy 43-201") describes the

practical application of the mutual reliance review system relating to the filing and review of prospectuses, including mutual fund and shelf prospectuses, amendments to prospectuses, annual information forms and related materials. While use of the MRRS is optional, the MRRS represents the only means by which an issuer can enjoy the benefits of co-ordinated review by the Canadian securities regulatory authorities in the various jurisdictions in which the issuer has filed a short form prospectus or an AIF. Under the MRRS, one Canadian securities regulatory authority or regulator as defined in National Instrument 14-101 Definitions, as applicable, acts as the principal regulator for all materials relating to a filer.

The provisions of this Policy relating to clearance of a short form prospectus or review of an AIF apply only to filings for which the issuer has not elected to use MRRS.

- 1.4 **Interrelationship with Selective Review** - The Canadian securities regulatory authorities in Ontario, British Columbia and Alberta have adopted a system of selective review of certain documents, including AIFs, short form prospectuses and amendments to short form prospectuses. Under the selective review system, these documents are subject to an initial screening to determine whether they will be reviewed and, if reviewed, whether they will be subject to a full review, an issue oriented review or an issuer review. Application of the selective review system, taken together with MRRS, may result in certain AIFs, short form prospectuses and amendments to short form prospectuses not being reviewed beyond the initial screening.
- 1.5 **Interrelationship With Shelf Distributions (National Instrument 44-102)** - Issuers qualified under the National Instrument to file a prospectus in the form of a short form prospectus and their security holders can distribute securities under a short form prospectus using the shelf distribution procedures under National Instrument 44-102 Shelf Distributions. The Companion Policy to National Instrument 44-102 Shelf Distributions explains that the distribution of securities under the shelf system is governed by the requirements and procedures of the National Instrument and securities legislation, except as supplemented or varied by National Instrument 44-102. Therefore, issuers qualified to file a prospectus in the form of a short form prospectus and selling security holders of those issuers that wish to distribute securities under the shelf system should have regard to the National Instrument and this Policy first, and then refer to National Instrument 44-102 and the accompanying policy for any additional requirements.
- 1.6 **Inter-relationship With PREP Procedures (National Instrument 44-103)** - National Instrument 44-103 Post-Receipt Pricing contains the post receipt pricing procedures (the "PREP procedures"). All issuers and selling security holders can use the PREP procedures of National Instrument 44-103 to distribute securities. Issuers and selling security holders that wish to distribute securities under a prospectus in the form of a short form prospectus using the PREP procedures should have regard to the National Instrument and this Policy first, and then refer

to National Instrument 44-103 and the accompanying policy for any additional requirements.

1.7 Definitions

(1) **AIF** – The term "AIF" is defined to mean either a Form 51-102F2 or Form 44-101F1 *AIF*, depending on when the AIF is filed. Issuers may choose to file their annual information forms for financial years beginning before January 1, 2004 in either Form 51-102F2 or Form 44-101F1. For financial years beginning on or after January 1, 2004, issuers must use Form 51-102F2.

(2) **Approved rating** - Cash settled derivatives are covenant-based instruments that may be rated on a similar basis to debt securities. In addition to the creditworthiness of the issuer, other factors such as the continued subsistence of the underlying interest or the volatility of the price, value or level of the underlying interest may be reflected in the rating analysis for cash settled derivatives. These additional factors may be described by a rating agency by way of a superscript or other notation to a rating. The inclusion of such notations for covenant-based instruments that otherwise fall within one of the categories of an approved rating does not detract from the rating being considered to be an approved rating for the purposes of the National Instrument.

A rating agency may also restrict its rating to securities of an issuer that are denominated in local currency. This restriction may be denoted, for example, by the designation "LC". The inclusion of such a designation in a rating that would otherwise fall within one of the categories of an approved rating does not detract from the rating being considered to be an approved rating for the purposes of the National Instrument.

(3) **Asset-backed security** - The definition of "asset-backed security" is virtually identical to the definition adopted in the October, 1992 amendments to Form S-3 of the 1933 Act, permitting issuers of "investment grade" asset-backed securities access to the U.S. short-form registration statement and related procedures.

The definition is designed to be flexible to accommodate future developments in asset-backed securities. For example, it does not include a list of "eligible" assets that can be securitized. Instead, the definition is broad, referring to "receivables or other financial assets" that by their terms convert into cash within a finite time period. These would include, among other things, notes, leases, instalment contracts and interest rate swaps, as well as other financial assets, such as loans, credit card receivables, accounts receivable and franchise or servicing arrangements. The reference to "and any rights or other assets..." in the definition is sufficiently

broad to include "ancillary" or "incidental" assets, such as guarantees, letters of credit, financial insurance or other instruments provided as a credit enhancement for the securities of the issuer or which support the underlying assets in the pool, as well as cash arising upon collection of the underlying assets that may be reinvested in short-term debt obligations.

The term, a "discrete pool" of assets, can refer to a single group of assets as a "pool" or to multiple groups of assets as a "pool". For example, a group or pool of credit card receivables and a pool of mortgage receivables can, together, constitute a "discrete pool" of assets. The reference to a "discrete pool" of assets is qualified by the phrase "fixed or revolving" to clarify that the definition covers "revolving" credit arrangements, such as credit card and short-term trade receivables, where balances owing revolve due to periodic payments and write-offs.

While typically a pool of securitized assets will consist of financial assets owed by more than one obligor, the definition does not currently include a limit on the percentage of the pool of securitized assets that can be represented by one or more financial assets owing by the same or related obligors (sometimes referred to as an "asset concentration test").

- (4) **Principal Obligor** - The term "principal obligor" is defined to mean, for an asset-backed security, a person or company that is obligated to make payments, has guaranteed payments, or has provided alternative credit support for payments, on financial assets that represent a third or more of the aggregate amount owing on all of the financial assets underlying the asset-backed security. This term applies to a person or company that is obligated by the terms of the asset, eg. a receivable, to make payments. It does not include a person or company acting as "servicer" that collects payments from an obligor and remits payments to the issuer. Nor does the term include a seller, ie. a person or company that has sold the financial assets comprising the pool to the issuer. Sellers of financial assets have assigned to the issuer the right to receive payments on the financial assets; they are not the ones contractually obligated to make payments on the financial assets.
- (5) **Probable Acquisition of a Business and Probable Acquisition of Related Businesses** - See section 5.4.
- (6) **Regulator** - The regulator for each jurisdiction is listed in Appendix D to National Instrument 14-101 Definitions. In practice, that person has often delegated his or her powers to act under the National Instrument to another staff member of the same Canadian securities regulatory authority or, under the relevant statutory framework, another person is permitted to exercise those powers. Generally, the person exercising the powers of the regulator for the purposes of the National Instrument holds, as of the date of this Policy, the following position in each jurisdiction:

Jurisdiction	Position
Alberta	Director, Capital Markets
British Columbia	Director, Corporate Finance (except for applications for exemptions from Part 2 of the National Instrument, for which the regulator is the Director, Exemptions and Orders)
Manitoba	Director, Corporate Finance
New Brunswick	Administrator of Securities
Newfoundland	Director of Securities
Northwest Territories	Deputy Registrar of Securities
Nova Scotia	Director of Securities
Nunavut	Registrar of Securities
Ontario	Manager, Corporate Finance
Prince Edward Island	Registrar of Securities
Quebec	Commission des valeurs mobilières du Québec
Saskatchewan	Deputy Director, Corporate Finance (except for applications for exemptions from Part 2 of the National Instrument, for which the regulator is the Saskatchewan Securities Commission)
Yukon Territory	Registrar of Securities

Further delegation may take place among staff or under securities legislation.

- (7) **Successor Issuer** - The definition of "successor issuer" requires that the issuer exist "as a result of a reorganization". In the case of an amalgamation, the amalgamated corporation is regarded by the Canadian securities regulatory authorities as existing "as a result of a reorganization". Also, if a corporation is incorporated for the sole purpose of facilitating a reorganization, the Canadian securities regulatory authorities regard the new corporation as "existing as a result of a reorganization" despite the fact that the corporation may have been incorporated before the reorganization. The definition of "successor issuer" also contains an exclusion applicable to divestitures. For example, an issuer may carry out a reorganization that results in the distribution to security holders of a portion of its business or the transfer of a portion of its business to another issuer. In that case, the entity that carries on the portion of the business that was "spun-off" is not a successor issuer within the meaning of the definition.

PART 2 QUALIFICATION TO FILE A PROSPECTUS IN THE FORM OF A SHORT FORM PROSPECTUS

2.1 Basic Qualification Criteria

- (1) **Reporting Issuers in Local Jurisdiction that have been Reporting Issuers for 12 Months in a Jurisdiction other than the Local Jurisdiction (Clause 1(a)(ii) of section 2.2 of the National Instrument)** - Clause 1(a)(ii) of section 2.2 of the National Instrument provides that a reporting issuer in the local jurisdiction that is, and has been for the 12 calendar months preceding the date of the filing of its most recent AIF, a reporting issuer under Canadian securities legislation in at least one jurisdiction, other than the local jurisdiction, satisfies the reporting issuer criterion for being qualified to file a prospectus in the form of a short form prospectus if it has filed in the local jurisdiction all continuous disclosure documents that it was required to file during the 12 calendar months preceding the date of the filing of its most recent AIF under the Canadian securities legislation of any jurisdiction in which it has been a reporting issuer. An issuer that has already filed with the Canadian securities regulatory authority of the local jurisdiction some or all of the continuous disclosure documents contemplated in this clause is not required to file those documents again.
- (2) **Issuers not Reporting Issuers in Local Jurisdiction that are and have been Reporting Issuers for 12 Months in a Jurisdiction other than the Local Jurisdiction (Subparagraph 1(b) of section 2.2 of the National Instrument)** - Subparagraph 1(b) of section 2.2 of the National Instrument provides what an issuer that is not a reporting issuer in the local jurisdiction must do to be qualified to file a prospectus in the form of a short form prospectus in that jurisdiction if the issuer is, and has been for the 12 calendar months preceding the date of the filing of its most recent AIF, a reporting issuer under Canadian securities legislation in at least one jurisdiction, other than the local jurisdiction, and if the securities regulatory authority is unable to deem the issuer to be, or designate the issuer as, a reporting issuer. As of the coming into force date of this Policy, only the provinces of Alberta, British Columbia, Ontario, Quebec, Nova Scotia and Saskatchewan have the statutory power to deem an issuer to be, or to designate an issuer as, a reporting issuer.

2.2 Alternative Eligibility Criteria: Issuers that have not been Reporting Issuers for 12 Months in any Jurisdiction (Sections 2.3, 2.5, 2.6, 2.7, and 2.8 of the National Instrument) - Issuers that have not been reporting issuers for 12 months in any jurisdiction may nonetheless be qualified to file a prospectus in the form of a short form prospectus under the following alternative qualification criteria of the National Instrument:

1. Section 2.3, which applies to issuers with a public float of \$300,000,000 or more.
2. Section 2.5, which applies to issuers of non-convertible debt securities, non-convertible preferred shares or cash settled derivatives, if another person or company that satisfies prescribed criteria fully and unconditionally guarantees or provides alternative credit support for the

payments to be made by the issuer of the securities as stipulated in the terms of the securities or in an agreement governing the rights of holders of the securities.

3. Section 2.6, which applies to issuers of convertible debt securities or convertible preferred shares, if the securities are convertible into securities of a credit supporter that satisfies prescribed criteria and fully and unconditionally guarantees or provides alternative credit support for the payments to be made by the issuer of the securities as stipulated in the terms of the securities or in an agreement governing the rights of holders of the securities.
4. Section 2.7, which applies to issuers of asset-backed securities.
5. Section 2.8, which applies to successor issuers following reorganizations.

Under sections 2.5, 2.6 and 2.7 of the National Instrument, an issuer is not required to be a reporting issuer in any jurisdiction in order to qualify to file a prospectus in the form of a short form prospectus. Under section 2.8 of the National Instrument, a successor issuer must be a reporting issuer in at least one jurisdiction. However, it is not necessary for it to have been one for 12 months, as the successor issuer may rely on the reporting history of one of the participants in the reorganization. Paragraph 1 of section 2.3 requires the issuer to be a reporting issuer or, if the issuer is not a reporting issuer in the local jurisdiction, it must be a reporting issuer under Canadian securities legislation in a jurisdiction other than the local jurisdiction, and satisfy the criterion in subparagraph 5 of paragraph 1(b) of section 2.2 of the National Instrument

2.3 Calculation of the Aggregate Market Value of an Issuer's Equity Securities (Section 2.9 of the National Instrument)

- (1) Section 2.9 of the National Instrument sets out how to determine whether an issuer satisfies the market value criteria contained in Part 2 of the National Instrument. Subsection 2.9(2) requires certain securities to be excluded when calculating the total number of equity securities outstanding, and subsection 2.9(3) requires a subset of those excluded securities to be included nonetheless, despite subsection 2.9(2). The following examples are provided to assist issuers and their advisers in determining which securities are to be excluded in accordance with subsections 2.9(2) and (3):

Example (1):

A portfolio manager manages a pension fund. The pension fund holds 11% of the equity securities of the issuer.

Result: These equity securities must be excluded in calculating the market value of the issuer's equity securities.

Example (2):

A portfolio manager (not an affiliate of the issuer) manages three mutual funds each of which holds 3% of the equity securities of the issuer. An affiliate of the portfolio manager (not an affiliate of the issuer) manages two mutual funds each of which holds 3% of the equity securities of the issuer.

Result: The aggregated equity securities (15%) do not have to be excluded in calculating the market value of the issuer's equity securities.

Example (3):

The facts are the same as in Example (2) above, except that the portfolio manager is an affiliate of the issuer.

Result: The aggregated equity securities must be excluded in calculating the market value of the issuer's equity securities.

Example (4):

A portfolio manager (not an affiliate of the issuer) manages three non-redeemable investment funds (A, B and C). A holds 12% of the equity securities of the issuer. B and C each hold 6% of the equity securities of the issuer.

Result: The equity securities of the issuer held by A must be excluded in calculating the market value of the issuer's equity securities but the equity securities held by B and C (12% in the aggregate) need not be excluded in calculating the market value of the issuer's equity securities.

- (2) Instalment receipts that evidence the beneficial ownership of outstanding equity securities (subject to an encumbrance to secure the obligation of the instalment receipt holder to pay future instalments) and other similar receipts that evidence beneficial ownership of outstanding equity securities are not, themselves, equity securities. Consequently, the market value of such a receipt may not be included in the market value calculation of an issuer's outstanding equity securities (subject to the exception in paragraph 2.9(1)(b) of the National Instrument). The market value of the equity securities evidenced by the receipt, may however, be included, subject to subsections 2.9(2) and 2.9(3) of the National Instrument.

The exclusions set out in subsection 2.9(2) of the National Instrument refer to equity securities of an issuer that are beneficially owned, or over which control or direction is exercised by persons or companies that, alone or together with their respective affiliates and associated parties, beneficially own or exercise control or direction over more than 10 per cent of the outstanding equity securities of the issuer. Instalment receipt transactions

typically involve a custodian holding a security interest in the securities the beneficial ownership of which is evidenced by instalment receipts. The Canadian securities regulatory authorities do not regard the custodian, by virtue of holding a security interest, as exercising "control or direction" over the securities for the purposes of subsection 2.9(2) of the National Instrument if the custodian is not entitled to exercise any voting rights attached to the securities or dispose of the securities without the beneficial owner's consent.

- 2.4 Alternative Qualification Criteria for Substantial Issuers (Section 2.3 of the National Instrument)** - Subparagraph 1(b) of section 2.3 of the National Instrument requires substantial issuers, that are not reporting issuers in the local jurisdiction, to be reporting issuers under Canadian securities legislation in a jurisdiction, other than the local jurisdiction, and to satisfy the criterion in subparagraph 5 of paragraph 1(b) of section 2.2. That criterion requires the issuer to have provided an undertaking to the securities regulatory authority that it will file all continuous disclosure documents that it would be required to file under securities legislation if it were a reporting issuer from the time of the filing of its most recent AIF until the issuer becomes a reporting issuer.
- 2.5 Alternative Qualification Criteria for Issuers of Guaranteed Debt Securities, Preferred Shares and Cash Settled Derivatives (Sections 2.5 and 2.6 of the National Instrument)** - Sections 2.5 and 2.6 of the National Instrument allow an issuer to qualify to file a prospectus in the form of a short form prospectus based on a full and unconditional guarantee or alternative credit support. The Canadian securities regulatory authorities are of the view that a person or company that provides the full and unconditional guarantee or alternative credit support is not, simply by providing that guarantee or alternative credit support, issuing a security.
- 2.6 Alternative Qualification Criteria for Asset-Backed Securities (Section 2.7 of the National Instrument)**
- (1) In order to be qualified to file a prospectus in the form of a short form prospectus under section 2.7 of the National Instrument, an issuer must have been established in connection with a distribution of asset-backed securities. Ordinarily, asset-backed securities are issued by special purpose issuers established for the sole purpose of purchasing financial assets with the proceeds of one or more distributions of these securities. This ensures that the credit and performance attributes of the asset-backed securities are dependant on the underlying financial assets, rather than upon concerns relating to ancillary business activities and their attendant risks. Qualification to file a prospectus in the form of a short form prospectus under this section has been limited to special purpose issuers to avoid the possibility that an otherwise ineligible issuer would structure securities falling within the definition of "asset-backed security".

- (2) The qualification criteria for a distribution of asset-backed securities under a prospectus in the form of a short form prospectus are intended to provide sufficient flexibility to accommodate future developments. To qualify under section 2.7 of the National Instrument, the securities to be distributed must satisfy the following two criteria:
1. First, the payment obligations on the securities must be serviced primarily by the cash flows of a pool of discrete liquidating assets such as accounts receivable, instalment sales contracts, leases or other assets that by their terms convert into cash within a specified or determinable period of time.
 2. Second, the securities must (i) receive an approved rating on a provisional basis, (ii) not have been the subject of an announcement regarding a downgrade to a rating that is not an approved rating, and (iii) not have received a provisional or final rating lower than an approved rating from any approved rating organization.

The qualification criteria do not distinguish between pass-through (i.e., equity) and pay-through (i.e., debt) asset-backed securities. Consequently, both pay-through and pass-through securities, as well as residual or subordinate interests, may be distributed under a prospectus in the form of a short form prospectus if all other applicable requirements are met.

2.7 Reorganizations (Section 2.8 of the National Instrument)

- (1) Section 2.8 of the National Instrument provides alternative qualification criteria for a successor issuer to qualify to file a prospectus in the form of a short form prospectus even though it has not been a reporting issuer in any jurisdiction for 12 months. It may qualify if, among other things, it is a reporting issuer under Canadian securities legislation and, at the time of the reorganization, at least one of the participants in the reorganization satisfied the 12 month reporting issuer criterion in paragraph 1 of section 2.2 of the National Instrument.
- (2) An issuer that was previously qualified to file a prospectus in the form of a short form prospectus under the basic qualification criteria set out in section 2.2 of the National Instrument, including the \$75,000,000 market value requirement, and is the subject of a reorganization that results in that issuer becoming a wholly-owned subsidiary of another entity, will not be qualified to file a prospectus in the form of a short form prospectus under section 2.2. This is because it cannot satisfy the \$75,000,000 market value requirement. It may continue to be qualified to file a prospectus in the form of a short form prospectus under section 2.4 or section 2.5 of the National Instrument (approved rating or guaranteed securities) or section 2.7 of the National Instrument (asset-backed securities).

- (3) An entity that carries on the portion of the business that was "spun-off" is not a successor issuer within the meaning of the definition. The Canadian securities regulatory authorities have, from time to time, granted relief allowing the "spun-off" entity to file a prospectus in the form of a short form prospectus even though it may not otherwise satisfy certain of the qualification criteria. In those situations where the Canadian securities regulatory authorities have granted relief, there has been substantial audited segmented disclosure of the "spun-off" entity in the market place for at least one year before the reorganization. In addition, the Canadian securities regulatory authorities will generally look at whether the spun-off entity is described in the AIF and MD&A of the parent company. Applications for relief will be considered on a case by case basis.
- (4) Market participants are also reminded that if an issuer files a prospectus or other offering document following a material reorganization, take-over bid or acquisition of assets, the prospectus or offering document is required to contain, either directly or, if permitted, through incorporation by reference, appropriate disclosure concerning the reorganization, take-over bid or acquisition of assets and its effect on the issuer in order for the prospectus or other offering document to contain full, true and plain disclosure of all material facts.

2.8 Adoption by Successor Issuer of a Participant's AIF Following a Reorganization (Section 2.10 of the National Instrument) - Section 2.10 of the National Instrument enables a successor issuer to adopt as its own AIF the AIF of a participant in the reorganization, if the AIF was a current AIF of the participant at the time of the reorganization. By adopting the AIF of a participant, the successor issuer is deemed under section 2.10 to have a current AIF for the purposes of securities legislation. It is not relevant whether the participant that filed the AIF continues to exist after the reorganization. If the participant continues to exist after the reorganization, the adoption by the successor issuer of the current AIF of the participant does not preclude the participant from having the AIF in order to, itself, qualify to file a prospectus in the form of a short form prospectus. Under section 2.10 of the National Instrument, a successor issuer may choose to adopt the current AIF of more than one participant in the reorganization that gave rise to the successor issuer. This may be appropriate in circumstances where the successor issuer succeeded to the businesses of two participants where each participant had a current AIF. A successor issuer may always file its own AIF in order to have a current AIF.

PART 3 AIF

3.1 Initial AIF Review Procedures (Section 3.1 of the National Instrument)

- (1) An AIF filed by either an issuer that has not previously had an AIF accepted for filing in the local jurisdiction or an issuer that previously had

a current AIF in the local jurisdiction and no longer has one is treated as an initial AIF for the purpose of review by the POP regulator.

- (2) An initial AIF and supporting documents will be reviewed by the Canadian securities regulatory authorities, including the CVMQ, in accordance with the procedures described in the MRRS if the issuer has elected to use the MRRS. Compliance by issuers with the MRRS procedures, although not mandatory, will generally result in the most expeditious treatment of initial AIFs on a national basis. If an issuer does not elect MRRS, the review of the initial AIF will not be co-ordinated among the various jurisdictions in which the issuer has filed the AIF, nor is the review subject to any particular time frame.
- (3) An issuer filing in more than one jurisdiction should file the initial AIF, together with any supporting materials, as nearly as may be practicable, contemporaneously in each of the jurisdictions in which the issuer wishes to become qualified to file a prospectus in the form of a short form prospectus. Contemporaneous filing is automatic for issuers using SEDAR. An issuer should file in each jurisdiction an AIF identical in form and content, including the date, except that French language documents filed in Quebec need not be filed in the other jurisdictions, except as required under subsections 3.1(3) and (4) of the National Instrument. The review of documents filed in Quebec in the French language, apart from substantive comments applying to both English and French language versions, will ordinarily be dealt with between Quebec and the issuer or the issuer's agent in Quebec directly.

3.2 Renewal AIF Filing and Review Procedures (Section 3.2 of the National Instrument)

- (1) An issuer that has a current AIF for its second most recently completed financial year and wishes to have a current AIF for its most recently completed financial year must file a renewal AIF in accordance with section 3.2 of the National Instrument.
- (2) An issuer that does not have a current AIF in the local jurisdiction, yet has a current AIF in another jurisdiction, and wishes to file a short form prospectus in the local jurisdiction may file, as an initial AIF under section 3.1 of the National Instrument in the local jurisdiction, either (i) the new AIF that it is filing as a renewal AIF in the other jurisdiction, or (ii) the AIF that is a current AIF in the other jurisdiction. The issuer should notify all the other jurisdictions in which it already has a current AIF that it is filing an initial AIF in a new jurisdiction.
- (3) An issuer filing in more than one jurisdiction should file a renewal AIF, together with any supporting materials, as nearly as may be practicable, contemporaneously in each of the jurisdictions in which the issuer wishes to remain qualified to file a prospectus in the form of a short form

prospectus. Contemporaneous filing is automatic for issuers using SEDAR. An issuer should file an AIF in each jurisdiction identical in form and content, including the date, except that French language documents filed in Quebec need not be filed in the other jurisdictions, except as otherwise provided in subsections 3.2(8) and (9) of the National Instrument.

- (4) A renewal AIF, if selected for review, will be reviewed by the Canadian securities regulatory authorities in accordance with section 3.2 of the National Instrument and the procedures described in MRRS, if the issuer has elected to use MRRS.
- (5) This subsection applies to an issuer that files a renewal AIF and has not elected to use the MRRS. If an issuer's renewal AIF has been selected for review and the issuer files a preliminary short form prospectus, both the issuer's preliminary short form prospectus and its renewal AIF will be reviewed at the same time. In these circumstances, comments arising in the course of the review of the renewal AIF will be taken into account during the review of the preliminary short form prospectus. The notice that the review of the renewal AIF has been completed will be issued before, or concurrently with, the issuance of the receipt for the short form prospectus. A receipt for the short form prospectus will not be issued until the review of the renewal AIF has been completed. No particular time frame applies to this review.

3.3 Supporting Documents (Section 3.3 of the National Instrument)

- (1) Any material incorporated by reference in an AIF is required under paragraph 3.3(1)(a) of the National Instrument to be filed with the AIF unless it has been previously filed. When an issuer using SEDAR files a previously unfiled document with its AIF, the issuer should ensure that the document is filed under the appropriate SEDAR filing type and document type specifically applicable to the document, rather than generic type "Documents Incorporated by Reference". For example, an issuer that has incorporated by reference an information circular in its AIF and has not previously filed the circular should file the circular under the "Management Proxy Materials" filing subtype and the "Management proxy/information circular" document type.
- (2) There is no regulatory requirement for auditor involvement with respect to the preparation of an AIF. No solicitor's, auditor's, accountant's, engineer's, appraiser's or other consent is required to be filed with an AIF. However, reporting issuers may choose to involve their auditors. The auditing profession's standards may require limited auditor involvement in certain circumstances. Section 10.4 of the National Instrument requires the filing of consents of experts with a short form prospectus. In order to be able to provide the necessary consent letter on a short form prospectus, an auditor will be obliged to comply with applicable

requirements of the Handbook and of Canadian securities legislation of the jurisdictions in which the AIF is filed.

PART 4 FINANCIAL MATTERS

A. ISSUERS AND SIGNIFICANT ACQUISITIONS

4.1 Financial Statement Requirements - Explanation of the 60 and 90 Day References

- (1) The financial statement disclosure requirements for an issuer and any business acquired or to be acquired are often described with reference to 60 or 90 day periods. A reporting issuer is required to file interim financial statements 60 days after the last day of an interim period on a continuous disclosure basis. The interim financial statement disclosure requirements in the National Instrument are based on these continuous disclosure reporting time frames. Annual audited financial statements are required to be filed 140 days after year end on a continuous disclosure basis. However, if a preliminary short form prospectus is filed more than 90 days after year end, the audited financial statements are required to be included in the short form prospectus.
- (2) Section 1.10 of the National Instrument states that unless otherwise stated, a reference to a short form prospectus in the National Instrument includes a preliminary short form prospectus. Consequently, the 60 and 90 day period references discussed in subsection (1) should be considered as at the date the preliminary short form prospectus is filed and again at the date of the final short form prospectus is filed for both the issuer and any business acquired or to be acquired. Depending on the period of time between the dates of the preliminary and final short form prospectuses, an issuer may have to include more recent financial statements.
- (3) However, in order for an issuer to distribute securities using the short form prospectus system, sections 2.2, 2.3, 2.4, 2.5, 2.6, 2.7 and 2.8 of the National Instrument each require the issuer to file financial statements for its most recently completed financial year only if the issuer files a preliminary short form prospectus more than 90 days after its most recently completed financial year. If the issuer files a preliminary short form prospectus less than 90 days after the end of its most recently completed financial year and files the final short form prospectus more than 90 days after the end of the issuer's most recently completed financial year, the issuer is not required to include in the short form prospectus the financial statements for its most recently completed financial year. The Canadian securities regulatory authorities recognize that issuers generally anticipate that the period of time between the filing a preliminary and a final short form prospectus will be relatively brief. Accordingly, imposing the requirement on an issuer to update its prospectus to reflect the results of its

most recently completed financial year because those financial statements were filed between the dates of the preliminary and final short form prospectus could significantly delay the completion of an offering thus diminishing the benefits of the short form prospectus offering regime.

- (a) For example, assume an issuer has a December 31 year end and files a preliminary short form prospectus on March 28, year one. If the issuer has not filed audited financial statements for its most recently completed financial year by March 28 and files its final short form prospectus on April 5, the issuer will not be required to file and incorporate by reference its audited financial statements for its most recently completed year nor will it be required to update the final short form prospectus to reflect the results for the most recently completed financial year. However, if the issuer filed the preliminary short form prospectus on or after April 1, it would be required to include the audited financial statements for its most recently completed financial year.
- (4) Despite subsection (3), the Canadian securities regulatory authorities are of the view that directors of issuers should endeavor to review and approve financial statements in a timely manner and should not delay the approval and release of the financial statements in order to avoid their inclusion in a short form prospectus.

4.2 Additional Financial Statements or Financial Information Filed or Released - If annual or interim financial statements of a business acquired or to be acquired, more recent than those that would otherwise be required to be included in a short form prospectus, have been filed before a short form prospectus is filed, sections 4.7 and 5.3 of the National Instrument require those financial statements to be included in the short form prospectus and the short form prospectus to be updated accordingly. However, if information derived from more recent annual or interim financial statements is released to the public by the issuer before the financial statements are filed, the short form prospectus should include the information included in the news release or public communication. There is no specific requirement in the National Instrument to otherwise update the short form prospectus or *pro forma* financial statements to reflect the more recent information.

4.3 Audit Report for All Financial Statements Included in the Short Form Prospectus – The rule entitled National Instrument 44-101 *Short Form Prospectus Distribution* requires that all financial statements included in a short form prospectus must be audited, except financial statements specifically exempted in the National Instrument. NI 52-107 further requires that all audited financial statements be accompanied by an audit report. Issuers are reminded that the audit report requirement extends to financial statements of subsidiaries and other entities even if the financial statements are not required to be included in the short form prospectus but have been included at the discretion of the issuer.

4.4 Exemption from Audit Report if not Previously Included in a Short Form Prospectus

- If an issuer received a receipt for a final short form prospectus that included financial statements of a business acquired or to be acquired for a financial year that were not accompanied by an audit report, section 4.15 of the National Instrument provides that if the issuer includes any of those unaudited financial statements in a subsequent short form prospectus, the issuer will not be expected to include an audit report on those financial statements unless they were audited subsequent to obtaining the final receipt for the previous short form prospectus. The Canadian securities regulatory authorities recognize that requesting an issuer to obtain an audit report that it was permitted to exclude from a previous final short form prospectus could create undue hardship for the issuer.

4.5 Timing of Requests for Exemptions from the Financial Statement Requirements -

Requests for exemptions from Parts 4 and 5 of the National Instrument and Item 12.1 of Form 44-101 F3 should be made in accordance with Part 15 of the National Instrument which requires the issuer to make submissions in writing along with the reasons for the request and the proposed alternative disclosure. Written submissions should be filed at, or preferably before, the time the preliminary short form prospectus is filed, in order to permit the issue to be resolved in a timely manner. Issuers filing a short form prospectus in more than one jurisdiction are encouraged to consult National Policy 43-201 Mutual Reliance Review System for Short form prospectuses and Annual Information Forms for more guidance on pre-filing applications.

B. ISSUERS

4.6 Applications for Exemption from Requirement to Include Financial Statements of the Issuer

- (1) The Canadian securities regulatory authorities are of the view that relief from the requirement to provide audited historical financial statements should be granted only in unusual circumstances not related to cost or the time involved in preparing or auditing the financial statements. If in unusual circumstances relief is granted, conditions will likely be imposed, such as a requirement to include audited divisional statements of income or cash flows, financial statements accompanied by audit reports containing a reservation of opinion or audited statements of net operating income.
- (2) In view of the reluctance of the Canadian securities regulatory authorities to grant exemptions from the requirement to include audited historical financial statements, issuers seeking relief should consult with staff on a pre-filing basis.
- (3) Relief may be granted in appropriate circumstances to permit the audit report on financial statements to contain a reservation relating to opening

inventory if there is a subsequent audited period of at least six months on which the auditor's report contains no reservation and the business is not seasonal.

- (4) Considerations relevant to granting an exemption from the requirement to include financial statements, generally for the years immediately preceding the issuer's most recently completed financial year, may include the following:
 - (a) The issuer's historical accounting records have been destroyed and cannot be reconstructed. In this case, as a condition of granting the exemption, the issuer may be requested by the Canadian securities regulatory authorities to
 - (i) represent in writing to the Canadian securities regulatory authorities, no later than the time the preliminary short form prospectus is filed, that the issuer made every reasonable effort to obtain copies of, or reconstruct, the historical accounting records necessary to prepare and audit the financial statements, but such efforts were unsuccessful; and
 - (ii) disclose in the short form prospectus the fact that the historical accounting records have been destroyed and cannot be reconstructed.
 - (b) The issuer has emerged from bankruptcy and current management is denied access to the historical accounting records necessary to audit the financial statements. In this case, as a condition of granting the exemption, the issuer may be requested by the Canadian securities regulatory authorities to
 - (i) represent in writing to the Canadian securities regulatory authorities, no later than the time the preliminary short form prospectus is filed, that the issuer has made every reasonable effort to obtain access to, or copies of, the accounting records necessary to audit the financial statements but that such efforts were unsuccessful; and
 - (ii) disclose in the short form prospectus the fact that the issuer has emerged from bankruptcy and current management is denied access to the historical accounting records.
 - (c) The issuer has undergone a fundamental change in the nature of its business or operations affecting a majority of its operations and all, or substantially all, of the executive officers and directors of the company have changed. The evolution of a business or progression along a development cycle will not be considered to be a fundamental change in an issuer's business or operations.

Relief from the requirement to include financial statements of the issuer required by the National Instrument for the year in which the change occurred, or for the most recently completed financial year if the change in operations occurred during the issuer's current financial year, generally will not be granted

- 4.7 Reverse Take-overs** - When an issuer has been involved in a business combination accounted for a reverse take-over, Item 12.7 of Form 44-101F3 requires that financial statements referred to in Item 12.1(1) of Form 44-101F3 be provided for the legal subsidiary which is the accounting parent, as those terms are used in the Handbook.

PART 5 DISCLOSURE IN A SHORT FORM PROSPECTUS OF FINANCIAL STATEMENTS FOR SIGNIFICANT ACQUISITIONS, SIGNIFICANT DISPOSITIONS AND MULTIPLE ACQUISITIONS

A. GENERAL

- 5.1 Financial Statement Disclosure of Significant Acquisitions and Multiple Acquisitions** - Appendix A to this Policy is a chart outlining the key obligations for financial statement disclosure of significant acquisitions and multiple acquisitions. Appendix B includes examples which illustrate the application of certain Parts of the Instrument related to financial reporting requirements.

- 5.2 Acquisition of a Business** - Part 4 of the National Instrument requires an issuer that has made a significant acquisition or is proposing to make a significant probable acquisition to include in its short form prospectus certain financial statements of each business acquired or to be acquired. Part 5 of the National Instrument has similar requirements for an issuer that has made or is proposing to make multiple acquisitions that are not related or individually significant. For this purpose, the term "business" should be evaluated in light of the facts and circumstances involved. The Canadian securities regulatory authorities generally consider that a separate entity, a subsidiary or a division is a business and that in certain circumstances a lesser component of a person or company may also constitute a business, whether or not the subject of the acquisition previously prepared financial statements. Continuity of business operations is considered in determining whether an acquisition constitutes the acquisition of a business. Other factors that will be considered include

- (a) whether the nature of the revenue producing activity or potential revenue producing activity will remain generally the same after the acquisition; and
- (b) whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production

techniques or trade names are acquired by the issuer instead of remaining with the vendor after the acquisition.

5.3 Acquisition of an Interest in an Oil and Gas Property

- (1) The Canadian securities regulatory authorities consider the acquisition of an interest in an oil and gas property ("property") to constitute the acquisition of a business as discussed in section 5.2 of the Policy. However, it is recognized that in certain situations, limited availability of, or access to, audited financial statements or financial information of the acquired property makes it difficult to comply with the financial statement disclosure requirements outlined in Parts 4 and 5 of the National Instrument. The Canadian securities regulatory authorities have also considered that, unique to the oil and gas industry, relevant operating information is often publicly available. Accordingly, the Canadian securities regulatory authorities may consider granting an exemption from the disclosure requirements of Parts 4 and 5 of the National Instrument if
 - (a) the issuer has not accounted for the acquisition as a reverse take-over;
 - (b) the property does not constitute a "reportable segment" of the vendor, as defined in section 1701 of the Handbook, at the time of the acquisition; and
 - (c) the prospectus includes acceptable alternative disclosure in respect of the property as outlined in subsection (2).
- (2) Alternative Disclosure
 - (a) The Canadian securities regulatory authorities are of the view that alternative disclosure in a short form prospectus, to be acceptable for the purposes of subsection (1)(c), should include at least an audited operating statement of the property acquired or to be acquired for each of the years required by Parts 4 and 5 of the National Instrument. The operating statements should each present, at a minimum, the following line items:
 - gross revenue;
 - royalty expenses;
 - production costs; and
 - operating income.

In applying Parts 4 and 5 of the National Instrument for purposes of this paragraph, the significance of an acquired property or of a probable acquisition of a property shall be determined based on the investment and income tests outlined in section 1.2 of the National Instrument, except that for purposes of the income test,

"operating income" should be substituted for "consolidated income from continuing operations".

(b) In addition to the information in paragraph (a), the following information may also be required to be included in the short form prospectus.

- (i) Information with respect to reserve estimates and estimates of future net revenue and production volumes and other relevant information regarding the property, if material.
- (ii) Actual production volumes of each of the properties for each of the three most recently completed years.
- (iii) Estimated production volumes of each of the properties for each of the next three years based on information in the respective reserve reports.

(3) **Relief from the requirement to Audit Operating Statements** - Despite subsection (2)(a), the Canadian securities regulatory authorities may permit an issuer to exclude an audit opinion on the operating statements referred to in subsection (2)(a) if

- (a) the property was acquired prior to December 31, 2000 and the issuer provides written submissions prior to filing the final short form prospectus which establish to the satisfaction of the Canadian securities regulatory authorities that, despite making reasonable efforts, the issuer was unable to obtain audited operating statements because the vendor refused to provide such audited statements or to permit access to the information necessary to audit the statements; or
- (b) during the 12 months preceding the date of the acquisition or the proposed date of the probable acquisition, the daily average production of the property on a barrel of oil equivalent basis (with gas converted to oil in the ratio of six thousand cubic feet of gas being the equivalent of one barrel of oil), is less than 20 per cent of the total daily average production of the vendor for the same or similar periods and
 - (i) the issuer provides written submissions prior to filing the final short form prospectus that establish to the satisfaction of the Canadian securities regulatory authorities that despite reasonable efforts during the purchase negotiations, the issuer was prohibited from including in the purchase agreement the rights to obtain an audited operating statement of the property;

- (ii) the purchase agreement includes representations and warranties by the vendor that the amounts presented in the operating statement agree to the vendor's books and records; and
- (iii) the issuer discloses in the short form prospectus its inability to obtain an audited operating statement, the reasons therefore, the fact that the representations and warranties referred to in item (ii) have been obtained, and a statement that the results presented in the operating statements may have been materially different if the statements had been audited.

5.4 Probable Acquisitions

- (1) The definitions of "probable acquisition of a business" and "probable acquisition of related businesses" in the National Instrument both include the phrase "where a reasonable person would believe that the likelihood of the acquisition being completed is high". The Canadian securities regulatory authorities interpret this phrase having regard to section 3290 of the Handbook "Contingencies". It is the view of the Canadian securities regulatory authorities that the following factors may be relevant in determining whether the likelihood of an acquisition being completed is high
 - (a) whether the acquisition has been publicly announced;
 - (b) whether the acquisition is the subject of an executed agreement; and
 - (c) the nature of conditions to the completion of the acquisition including any material third party consents required.
- (2) The test of whether a proposed acquisition is a "probable acquisition of a business" or "probable acquisition of related businesses" is an objective, rather than subjective, test in that the question turns on what a "reasonable person" would believe. It is not sufficient for an officer of an issuer to determine that he or she personally believes that the likelihood of the acquisition being completed is or is not high. The officer must form an opinion as to what a reasonable person would believe in the circumstances. In the event of a dispute as to whether an acquisition is a probable acquisition, an objective test requires an adjudicator to decide whether a reasonable person would believe in the circumstances that the likelihood of an acquisition being completed was high. By contrast, if the definition relied on a subjective test, the adjudicator would assess an individual's credibility and decide whether the personal opinion of the individual as to whether the likelihood of the acquisition being completed was high was an honestly held opinion. Formulating the definition using

an objective test rather than a subjective test strengthens the basis upon which the regulator may object to an issuer's application of the definition in particular circumstances.

- (3) A completed acquisition of a business and a proposed acquisition of a business will constitute a probable acquisition of related businesses defined in section 1.1 of the National Instrument if, among other things, each acquisition is contingent on a single common event. Common financing is one example of a single common event contemplated by the definition.

5.5 Significant Acquisitions Completed During the Issuer's Three Most Recently Completed Financial Years - If an issuer made a significant acquisition during its three most recently completed financial years, the balance sheets of the business as at a date prior to the date of the acquisition will be reflected in the issuer's most recent audited balance sheet included in the prospectus. In addition, the allocation of the purchase price to the assets acquired and liabilities assumed should also be disclosed in the issuer's audited financial statements. Accordingly, there is no requirement under subsection 4.2(1) of the National Instrument for the financial statements of the business included in the prospectus to include a balance sheet. The corresponding exception for individually insignificant, unrelated acquisitions is provided in subsection 5.2(4) of the National Instrument. The Canadian securities regulatory authorities recognize that a balance sheet will normally have been prepared and will not object if the financial statements of a business included in the prospectus include a balance sheet.

5.6 Significant Acquisitions Completed During the Issuer's Current Financial Year - If an issuer has made a significant acquisition during its current financial year, and the acquisition is accounted for using the purchase method, section 4.11 of the National Instrument requires an issuer to include disclosure about the acquisition, including a purchase price allocation, in a subsequent event note to the issuer's financial statements. At the time the short form prospectus is filed, the allocation of the purchase price may not yet be finalized so it may be impracticable to provide a detailed purchase equation. However, the issuer will know the assets and liabilities it has acquired and is expected to estimate an allocation of the purchase price to those assets and liabilities, at least on an aggregate basis.

B. APPLICATION OF THE SIGNIFICANCE TESTS

5.7 Timing of Significance Tests

- (1) Section 1.2 of the National Instrument sets out the significance tests for determining whether an acquisition of a business by an issuer is a "significant acquisition". The first test measures the assets of the acquired business against the assets of the issuer. The second test measures the issuer's investments in and advances to the acquired business against the

assets of the issuer. The third test measures the income from continuing operations of the acquired business against the income from continuing operations of the issuer. If any one of these three tests is satisfied at the 20 per cent level, the acquisition is considered "significant" to the issuer. The tests must be applied at the time of the acquisition using the most recent audited financial statements of the issuer and the business. This is consistent with the requirement of the Securities and Exchange Commission of the United States of America and provides issuers with certainty that if an acquisition is not significant at the time of the acquisition, then no financial statements of the business will be required to be included in the prospectus.

- (2) If an acquisition is determined under subsection 1.2(2) of the National Instrument to be significant on the date of acquisition, an issuer has the option under subsection 1.2(3) of the National Instrument of applying the tests using the more recent financial statements for the 12 months ended on the last day of the most recent interim period financial statements included in the short form prospectus and the financial statements of the business for a coterminous period ending on the same day as the issuer's financial statements. However, for the purposes of applying the investment test under subsection 1.2(3)2 of the National Instrument, the issuer's investments in and advances to the business should be the amount used to calculate the significance as at the date of the acquisition and not the amount as at the date of the issuer's financial statements used to recalculate the significance.
- (3) The option under subsection 1.2(3) of the National Instrument has been included in order to recognize the possible growth of an issuer between the date of acquisition and the date of a short form prospectus offering and the corresponding potential decline in significance of the acquisition to the issuer. If the significance of an acquisition increases at the second date under subsection 1.2(3), only the financial statements required when the tests are applied at the first stage under subsection 1.2(2) of the National Instrument, are required to be included in the short form prospectus. Applying the significance tests at the second date is not intended to increase the level of significance of an acquisition and thereby the number of years of financial statements.
- (4) The significance tests at the second date are an option available to all issuers. However, depending on how or when an issuer integrates the acquired business into its existing operations and the nature of post-acquisition financial records it maintains for the acquired business, it may not be possible for an issuer to apply the tests at the second date.

5.8 Acquisition of a Business when the Financial Statements of the Business are Prepared in Accordance with GAAP that is not the Issuer's GAAP- Subsection 1.2(9) of the National Instrument states that where the financial statements of the business or related businesses are prepared in accordance with GAAP that is not

the issuer's GAAP, for purposes of applying the significance tests, the relevant financial statements should be reconciled to the issuer's GAAP. It is unnecessary for the reconciliation to be audited for the purpose of the test as the Canadian securities regulators recognize that this could be onerous, particularly if the business or related businesses are determined not to be a significant acquisition.

- 5.9 Acquisition of a Previously Unaudited Business** - Section 1.2(2) of the National Instrument requires the significance of an acquisition to be determined using the most recent audited financial statements of the issuer and the business acquired or to be acquired. If the business was a private company prior to the acquisition and it did not engage an auditor to audit its annual financial statements then, for the purpose of applying the significance tests, subsection 1.2(6) of the National Instrument permits use of the unaudited financial statements of the business prepared in accordance with GAAP. If the acquisition is determined to be significant, then the financial statements for the number of periods required by Parts 4 and 5 of the National Instrument must be audited.
- 5.10 Application of the Significance Tests when the Financial Year Ends of the Issuer and the Acquired Business are Non-Coterminous** - Subsection 1.2(2) of the National Instrument requires the significance of an acquired business to be determined using the most recent audited financial statements of both the issuer and the acquired business. For the purpose of applying the tests under this subsection, the year ends of the issuer and the acquired business need not be coterminous. Accordingly, neither the audited financial statements of the issuer or the business should be adjusted for the purpose of applying the significance tests. However, if an acquired business is determined to be significant and *pro forma* income statements are prepared in accordance with Part 4 or 5 of the National Instrument, and if the last day of the business' year end is more than 93 days from the last day of the issuer's year end, the business' reporting period so required under subsection 4.5(4) of the National Instrument should be adjusted to reduce the gap to 93 days or less. Reference is made to section 5.17 of this Companion Policy for further guidance.
- 5.11 Application of Investment Test for Significance of an Acquisition** - Subsections 1.2(2) and, if applicable, 1.2(3) of the National Instrument set out when an acquisition of a business by an issuer is a "significant acquisition". One of the tests is whether the issuer's consolidated investments in and advances to the business or related businesses exceeds 20 per cent of the consolidated assets of the issuer as at the date of the audited financial statements of the issuer, for the most recently completed financial year ended prior to the date of the acquisition. In applying this test, the "investments in" the business should be determined using the total cost of the purchase, as determined by generally accepted accounting principles, which includes consideration paid or payable and the costs of the acquisition. If the acquisition agreement includes a provision for contingent consideration, for the purpose of applying the test, the contingent consideration should be included in the total cost of the purchase unless the likelihood of payment is considered remote at the date of the acquisition. In

addition, any payments made in connection with the acquisition which would not constitute purchase consideration but which would not have been paid unless the acquisition had occurred, should be considered part of investments in and advances to the business for the purpose of applying the significance tests. Examples of such payments include loans, royalty agreements, lease agreements and agreements to provide a pre-determined amount of future services.

5.12 Application of Income Test for Significance of an Acquisition

- (1) The third significance test set out in subsection 1.2(2)3 of the National Instrument is whether the issuer's proportionate share of the consolidated income from continuing operations of the business or related businesses exceeds 20 per cent of the consolidated income from continuing operations of the issuer based on the audited financial statements of the issuer and the acquired business for the most recently completed financial year ended before the date of the acquisition. Subsection 1.2(3)3 of the National Instrument sets out an optional calculation using more recent financial statements. In applying the income test, the income from continuing operations of the business should be determined using the accounting policies applied by the issuer.
- (2) Subsections 1.3(3), (4) and (5) of the National Instrument permit the issuer to use the average income of its three most recently completed fiscal years or 12 month periods, respectively, if the income from continuing operations for the most recently completed fiscal year is positive and at least 20 per cent lower than the average for the three most recently completed years. The averaging option is not available if the issuer has incurred a loss from continuing operations during its most recently completed year or more recent 12 month period. If the averaging option is available to the issuer but it incurred a loss from continuing operations in the second and/or third most recently completed fiscal years or 12 month periods, subsection 1.3(6) of the National Instrument states that for purposes of calculating the average consolidated income from continuing operations for the three fiscal years or 12 month periods, the loss must be treated as zero in the numerator and as one in the denominator.

C. FINANCIAL STATEMENTS OF ACQUIRED BUSINESSES

- 5.13 Financial Statements for Interim and Pre-acquisition Periods** - Subsections 4.2(1), 4.3(1) and 4.4(1) of the National Instrument require that a short form prospectus include financial statements for the most recently completed interim period of the acquired business that ended prior to the date of acquisition, in the case of a completed acquisition, and in any case, more than 60 days before the date of the short form prospectus. In some circumstances, the acquired business may not have been a reporting issuer and therefore may not have prepared financial

statements for the required interim periods. In connection with its sale, a business may prepare financial statements for the period commencing with the first day of its current year up to the date of the acquisition, or a day prior to the date of the acquisition. Subsections 4.2(1)2(a)(ii) and 4.3(1)3(a)(ii) of the National Instrument permit an issuer to satisfy the requirement for interim financial statements by filing financial statements for a period longer than an interim period provided that period ends no more than 30 days before the date of the acquisition. The period covered by these financial statements is defined in the National Instrument as the "pre-acquisition period". If the issuer elects to include pre-acquisition period financial statements in the short form prospectus, it is not also required to include the interim financial statements for the most recently completed interim period ended more than 60 days prior to the date of the short form prospectus. The pre-acquisition period financial statements may be used to prepare the *pro forma* financial statements of the issuer required under Part 4 of the National Instrument.

5.14 Acquisition of Related Businesses - Subsections 4.2(2), 4.3(2) and 4.4(2) of the National Instrument require that if an issuer is required to include in its short form prospectus financial statements for more than one business because the significant acquisition involves an acquisition of related businesses or a probable acquisition of related businesses, the financial statements required under these subsections should be presented for each business except for the periods during which the businesses have been under common control or management, in which case the issuer may present the financial statements on a combined basis. Although one or more of the related businesses may be insignificant relative to the others, separate financial statements of each business for the same number of periods required must be presented. Relief from the requirement to include financial statements of the least significant related business or businesses may be granted depending on the facts and circumstances.

5.15 Financial Statement Disclosure for Unrelated Individually Insignificant Acquisitions

- (1) When an issuer acquires unrelated businesses that are determined by the significance tests to be individually insignificant, section 5.2 of the National Instrument requires the significance of the acquisitions to be tested again by combining the results of the businesses. The significance tests should be applied using the financial results of the businesses on a combined basis. If the businesses satisfy any of the significance tests at a threshold of 50 per cent or more, then financial statements shall be provided for the businesses that constitute more than 50 per cent of the test satisfied at the highest level of significance. For example, if the acquisitions satisfy the asset, investment and income tests at thresholds of 40 per cent, 80 per cent and 60 per cent, respectively, then the investment test is the most significant. Accordingly, financial statements of the individual businesses which comprise 50 per cent of the dollar value of the combined investments in and advances to the businesses must be included in the short form prospectus. Audited financial statements must be presented for the most recently completed financial year of each business plus

interim financial statements. Depending upon the number of acquisitions, there may be several combinations of businesses whose financial statements would satisfy the requirement. Any combination may be included in the short form prospectus. For further guidance, refer to example 4 in Appendix B to this Companion Policy.

- (2) Subsection 1.3(2) of the National Instrument states that if one or more of the unrelated businesses have incurred losses from continuing operations while others have earned income from continuing operations, the losses should not offset the income. Instead, the businesses with losses should be evaluated separately from those with income for the purpose of applying the income test. The absolute value of the aggregate losses should be used to calculate the significance. For further guidance, refer to example 5 in Appendix B to this Companion Policy.

5.16 Preparation of Divisional and Carve-out Financial Statements

- (1) As discussed in section 5.2 of this Companion Policy, the Canadian securities regulatory authorities generally consider the acquisition of a division of a business and in certain circumstances, a lesser component of a person or company as constituting a business for purposes of the National Instrument, whether or not the subject of the acquisition previously prepared financial statements. In order to determine the significance of the acquisition and comply with the requirements in Parts 4 and 5 of the National Instrument, financial statements must be prepared. This section provides guidance on preparing these financial statements.
- (2) The guidance in this section also applies to the preparation of the financial statements of a completed significant disposition for the purpose of preparing *pro forma* financial statements in accordance with Part 6 of the National Instrument.
- (3) **Interpretations** - In this section of this Companion Policy, unless otherwise stated, the following interpretations apply:
 - (a) A reference to "a business" means a division or some lesser component of another business acquired by an issuer which constitutes a significant acquisition.
 - (b) The term "parent" refers to the vendor from whom the issuer purchased a business.
- (4) **Divisional and Carve-Out Financial Statements** - The terms "divisional" and "carve-out" financial statements are often used interchangeably although a distinction is possible. Some companies maintain separate financial records and prepare financial statements for a business activity or unit which is operated as a division. Financial statements prepared from these

financial records are often referred to as "divisional" financial statements. In certain circumstances, no separate financial records for a business activity are maintained; they are simply consolidated with the parent's records. In these cases, if the parent's financial records are sufficiently detailed, it is possible to extract or "carve-out" the information specific to the business activity in order to prepare separate financial statements of that business. Financial statements prepared in this manner are commonly referred to as "carve-out" financial statements. The guidance in this section applies to the preparation of both divisional and carve-out financial statements unless otherwise stated.

(5) Preparation of Divisional and Carve-Out Financial Statements

- (a) When complete financial records of the business acquired or to be acquired have been maintained, those records should be used for preparing and auditing the financial statements of the business. For the purposes of this section, it is presumed that the parent maintains separate financial records for its divisions.
- (b) When complete financial records of the business acquired or to be acquired do not exist, carve-out financial statements should generally be prepared in accordance with the following guidelines:
 1. **Allocation of Assets and Liabilities** - A balance sheet should include all assets and liabilities directly attributable to the business.
 2. **Allocation of Revenues and Expenses** - Income statements should include all revenues and expenses directly attributable to the business. Some fundamental expenditures may be shared by the business and its parent in which case the parent's management must determine a reasonable basis for allocating a share of these common expenses to the business. Examples of such common expenses include salaries, rent, depreciation, professional fees, general and administration.
 3. **Allocation of Income and Capital Taxes** - Income and capital taxes should be calculated as if the entity had been a separate legal entity and filed a separate tax return for the period presented.
 4. **Disclosure of Basis of Preparation** - The financial statements should include a note describing the basis of preparation. If expenses have been allocated as discussed in paragraph 2, the financial statements should include a note describing

the method of allocation for each significant line item, at a minimum.

- (6) **Statements of Assets Acquired, Liabilities Assumed and Statements of Operations** - When it is impracticable to prepare carve-out financial statements of a business, an issuer may be required to include in its prospectus for the business an audited statement of assets acquired and liabilities assumed and a statement of operations. Such a statement of operations should exclude only those indirect operating costs, such as corporate overhead, not directly attributable to the business. If these costs were previously allocated to the business and there is a reasonable basis of allocation, they should not be excluded. Issuers are encouraged to submit a pre-filing application when this circumstance arises.

5.17 Preparation of *Pro Forma* Financial Statements Giving Effect to Significant Acquisitions

- (1) **Objective and Basis of Preparation** - The objective of *pro forma* financial statements is to illustrate the impact of a transaction on an issuer's financial position and results of operations by adjusting the historical financial statements of the issuer to give effect to the transaction. Accordingly, the *pro forma* financial statements should be prepared on the basis of the issuer's financial statements as they appear elsewhere in the short form prospectus. No adjustment should be made to eliminate extraordinary items or discontinued operations.
- (2) ***Pro Forma* Balance Sheet and Income Statements** - Subsection 4.5(1) of the National Instrument does not require a *pro forma* balance sheet to be prepared to give effect to significant acquisitions which are reflected in the issuer's most recent audited or interim balance sheet included in the short form prospectus. Similarly, if a significant acquisition was completed during the issuer's most recently completed financial year, subsection 4.5(1)2 of the National Instrument does not require a *pro forma* income statement to be prepared for the issuer's most recent interim period for which financial statements are included in the short form prospectus because the results of the acquired business have been consolidated with the issuer's for the entire interim period.
- (3) **Non-coterminous Year-ends**
 - (a) **Reducing the Gap to 93 Days** - For the purpose of preparing a *pro forma* income statement, if the financial year of the business ends on a day which is more than 93 days from the last day of the issuer's financial year, subsection 4.5(4) of the National Instrument requires the income statement of the business to be adjusted to reduce this gap to less than 93 days. Reducing the gap may be accomplished by adding a subsequent interim period to the results of the most

recent fiscal year of the acquired business and deducting the comparable interim results for the immediately preceding year.

- (b) **Consecutive Months** - The adjusted financial period of the business should be comprised of consecutive months. For example, if the adjusted reporting period is 12 months and ends on June 30, the 12 months should commence on July 1 of the immediately preceding year; it should not begin on March 1st of the immediately preceding year with three of the following 15 months omitted, such as the period from October 1 to December 31, since this would not be a consecutive 12 month period.
 - (c) **Disclosure of the Adjusted Financial Period** - The adjusted financial period should be clearly disclosed on the face of the *pro forma* financial statements. In addition, there should be disclosure in a note to the *pro forma* financial statements stating that the financial statements of the business used to prepare the *pro forma* financial statements were prepared for this purpose and do not conform with the financial statements included elsewhere in the prospectus.
 - (d) **Disclosure of Results Reported in Two *Pro forma* Income Statements** - If the financial statements of the business are adjusted in accordance with paragraph (a), it is possible that the results for one or more months may be included in the twelve month and interim period financial statements of the business which are used by the issuer to prepare *pro forma* income statements for its most recently completed financial year and interim period. In this situation, disclosure should be made of the revenue and income for any periods excluded or included in both *pro forma* income statements.
- (4) **Financial Statements of a Business Prepared for the Purpose of Preparing *Pro Forma* Financial Statements** - If, in accordance with subsection (3), an income statement of an acquired business is constructed for the purpose of preparing a *pro forma* income statement, the constructed income statement need not be audited or otherwise included in the short form prospectus except as a separate column in the *pro forma* income statement. However, a comfort letter addressed to the Canadian securities regulatory authorities is required to be delivered in accordance with subsection 10.3(b)1 of the National Instrument.
- (5) **Effective Date of Adjustments**
- (a) ***Pro forma* balance sheet** – Paragraph 1 of subsection 4.5(1) of the National Instrument requires a *pro forma* balance sheet to be prepared to give effect to significant acquisitions as if they occurred on the date of the issuer's most recent balance sheet included in the short form prospectus.

- (b) **Pro forma income statement** - Paragraph 2 of subsection 4.5(1) of the National Instrument requires a *pro forma* income statement to be prepared to give effect to significant acquisitions as if they had taken place at the beginning of the issuer's current financial year or its most recently completed financial year, depending on when the acquisition occurred. If a short form prospectus includes *pro forma* income statements for the issuer's most recently completed financial year and a subsequent interim period, the acquisition and most of the adjustments should be computed as if the acquisition had occurred at the beginning of the most recently completed financial year and carried through the most recent interim period presented, if any. However, those adjustments related to the allocation of the purchase price, including the amortization of fair value increments and intangibles, should be based on the purchase price allocation arising from giving effect to the acquisition as if it occurred on the date of the issuer's most recent balance sheet included in the short form prospectus.
- (6) **Acceptable Adjustments** - *Pro forma* adjustments shall be limited to those which are directly attributable to a specific completed or proposed transaction for which there are firm commitments and for which the complete financial effects are objectively determinable.
- (7) **Multiple Acquisitions** - If the *pro forma* financial statements give effect to more than one significant acquisition or other event, the *pro forma* adjustments may be grouped by line item on the face of the *pro forma* financial statements provided the details for each transaction are disclosed in the notes.
- (8) **Intervening Periods** - If the issuer prepares a *pro forma* financial statement using a pre-acquisition interim financial statement of the acquired business and that period ends prior to the date of the acquisition, the *pro forma* financial statements should include any significant adjustments necessary to account for the intervening period.

D. SIGNIFICANT DISPOSITIONS

5.18 Significant Dispositions

- (1) Section 1.6 of the National Instrument states that the term "significant disposition" refers to a disposition of a business, a business segment or a significant portion of a business, either by sale, abandonment or distribution to shareholders. A disposition is determined to be significant in subsection 1.6(2) of the National Instrument if it satisfies the asset or income test at at least the 20 per cent significance level.
- (2) Separate financial statements of a significant disposition are not required to be included in the short form prospectus. If an issuer decides to include the financial statements, they should be prepared following the guidance in section 5.16 of this Companion Policy and should not be for more periods than the most recently completed financial year and interim period of the issuer for which financial statements are included in the short form prospectus.

5.19 Preparation of *Pro Forma* Financial Statements Giving Effect to Significant Dispositions

- (1) **Businesses and Business Segments** - Part 6 of the National Instrument requires inclusion in an issuer's short form prospectus of *pro forma* financial statements which give effect to significant dispositions completed during the issuer's most recently completed financial year or current financial year. The disposition of a business segment, as defined by section 3475 of the Handbook, is excluded from the *pro forma* requirements because the financial statement presentation of a discontinued business segment is addressed by the Handbook.
- (2) **Objective and Basis of preparation** - The basis for preparing *pro forma* financial statements which give effect to a significant disposition is very similar to the guidance outlined in section 5.17 of this Companion Policy which discusses the preparation of *pro forma* financial statements which give effect to significant acquisitions. The *pro forma* financial statements should be prepared using the issuer's financial statements as if the significant disposition occurred at the beginning of an issuer's current or most recently completed financial year, as appropriate.
- (3) ***Pro Forma* Balance Sheets** - Section 6.2(1) of the National Instrument does not require a *pro forma* balance sheet if the significant disposition is reflected in the issuer's most recent balance sheet included in the short form prospectus.

(4) *Pro Forma* Income Statements

- (a) If a significant disposition was completed during the issuer's most recently completed financial year, subsection 6.2(2)(a) of the National Instrument does not require inclusion of a *pro forma* income statement for the most recent interim period for which financial statements are included in the short form prospectus because the results of the disposed business have been excluded from the issuer's results for the entire interim period.
- (b) A *pro forma* income statement prepared to give effect to significant dispositions should not present results below the level of income from continuing operations.

(5) Constructed Financial Statements of the Business for the Purpose of Preparing the *Pro Forma* Financial Statements - If an income statement of the disposed business is constructed or otherwise carved out from the issuer's financial statements in accordance with the guidance in section 5.16 of this Companion Policy, for the purpose of preparing a *pro forma* income statement, the constructed income statement need not be audited or otherwise included in the prospectus except as a separate column in the *pro forma* income statement. However, a comfort letter addressed to the Canadian securities regulatory authorities is required to be delivered in accordance with subsection 10.3(b)1 of the National Instrument.

(6) Effective Date of Adjustments - *Pro forma* balance sheets should be prepared as if the disposition had occurred on the date of each balance sheet presented. If a short form prospectus includes *pro forma* income statements for the issuer's most recently completed financial year and a subsequent interim period, the acquisition and adjustments should be computed as if the disposition had occurred at the beginning of the most recently completed financial year of the issuer only and carried toward the most recent interim period presented, if any.

(7) Acceptable Adjustments - *Pro forma* adjustments should be limited to those which are directly attributable to a specific completed or proposed transaction for which there are firm commitments and for which complete financial effects are objectively determinable.

(8) Multiple Dispositions - If the *pro forma* financial statements give effect to more than one significant disposition, the *pro forma* adjustments may be grouped by line item on the face of the *pro forma* financial statements provided the details for each transaction are disclosed in the notes.

E. EXEMPTIONS

5.20 Exemptions from Parts 4 and 5 of the National Instrument

- (1) Despite Parts 4 and 5 of the National Instrument, an issuer may be permitted by the Canadian securities regulatory authorities to exclude an audit opinion on the financial statements of an acquired business for any of the years for which financial statements are required other than the most recently completed year of the acquired business if
 - (a) the business was acquired prior to December 31, 2000;
 - (b) the issuer provides written submissions prior to filing the short form prospectus which establish to the satisfaction of the regulator that, despite making reasonable efforts, the issuer was unable to obtain audited financial statements because the vendor refused to provide such audited financial statements or to permit access to the information necessary to audit the financial statements; and
 - (c) the issuer discloses in the prospectus that despite making reasonable efforts, the issuer was unable to obtain audited financial statements because the vendor refused to provide such audited financial statements or to permit access to the information necessary to audit the financial statements.
- (2) The Canadian securities regulatory authorities are of the view that relief from the financial statement requirements of Parts 4 and 5 of the National Instrument should be granted only in unusual circumstances not related to cost or the time involved in preparing and auditing the financial statements.
- (3) If relief is granted from the requirements of Parts 4 and 5 of the National Instrument to include in a short form prospectus audited financial statements of an acquired business, conditions will likely be imposed, such as a requirement to include audited divisional or partial income statements or divisional statements of cash flow, financial statements accompanied by an audit report containing a reservation of opinion such as an inventory qualification or an audited statement of net operating income for a business.
- (4) Relief may be granted in appropriate circumstances to permit the audit report on financial statements of a business acquisition to contain a reservation relating to opening inventory. In certain situations, such as when any of the significance tests are satisfied at 40 per cent or higher, the issuer may be requested to include in the prospectus audited financial statements of the business for a subsequent period of at least six months on which the auditor's report contains no reservation of opinion and the business is not seasonal.

- (5) Considerations relevant to granting an exemption from the requirement to include interim financial statements for the comparable period in the immediately preceding financial year may include the fact that an acquired business was, before the filing of the short form prospectus, a private entity that did not prepare interim financial statements.
- (6) If an issuer acquired a business or is proposing to acquire a business, considerations relevant to granting an exemption from the requirement to include financial statements of the business for any one or more of the years required to be included in the short form prospectus may include the following:
 - (a) The business's historical accounting records have been destroyed and cannot be reconstructed. In this case, as a condition for granting the exemption, the issuer may be requested by the Canadian securities regulatory authorities to
 - (i) represent in writing to the Canadian securities regulatory authorities, no later than the time the preliminary short form prospectus is filed, that the issuer made every reasonable effort to obtain copies of, or reconstruct, the historical accounting records necessary to prepare and audit the financial statements, but such efforts were unsuccessful; and
 - (ii) disclose in the short form prospectus the fact that the historical accounting records have been destroyed and cannot be reconstructed;
 - (b) The business has recently emerged from bankruptcy and current management of the business and the issuer is denied access to the historical accounting records necessary to audit the financial statements. In this case, as a condition of granting the exemption, the issuer may be requested by the Canadian securities regulatory authorities to
 - (i) represent in writing to the Canadian securities regulatory authorities, no later than the time the preliminary short form prospectus is filed, that the issuer made every reasonable effort to obtain access to, or copies of, the historical accounting records necessary to audit the financial statements but that such efforts were unsuccessful; and
 - (ii) disclose in the short form prospectus the fact that the business has recently emerged from bankruptcy and current management of the business and the issuer are denied access to the historical accounting records.

- (c) The business has undergone a fundamental change in the nature of its business or operations affecting a majority of its operations and all, or substantially all, of the executive officers and directors of the company have changed. The evolution of a business or progression along a development cycle will not be considered to be a fundamental change in the issuer's business or operations. Relief from the requirement to include audited financial statements of the business for the year in which the change in operations occurred, or for the most recently completed financial year if the change in operations occurred during the business's current financial year, generally will not be granted.

PART 6 GAAP, GAAS, AND AUDITOR'S REPORTS

- 6.1 GAAP and GAAS** - The financial statements of a person or company that are included or incorporated by reference in a short form prospectus must be prepared in accordance with NI 52-107.

6.2 [repealed January 4, 2005]

- 6.3 Auditor's Comfort Letters** - Subparagraph 1(i) of subsection 10.3(b) of the National Instrument requires a comfort letter to be delivered to the regulators from the auditor of the issuer or the business, as applicable, if an unaudited financial statement of an issuer or a business is included in a final prospectus. If unaudited financial statements of the issuer or the business for more than one interim period are included in the prospectus, a comfort letter with respect to each unaudited financial statement must be delivered. If an unaudited financial statement presents the results of the issuer or the business for the most recently completed interim period and the cumulative results for the current financial year up to the last day of the most recently completed interim period, a comfort letter with respect to both the interim and cumulative periods, including any comparative periods presented, must be delivered.

PART 7 FILING AND RECEIPTING OF SHORT FORM PROSPECTUS

- 7.1 Confidential Material Change Reports** - Confidential material change reports cannot be incorporated by reference into a short form prospectus. Accordingly, an issuer may not file a confidential material change report during a distribution. However, if circumstances arise that cause an issuer to file a confidential material change report during the distribution period of securities under a short form prospectus, the issuer should cease all activities related to the distribution until

- (a) the material change is generally disclosed and an amendment to the short form prospectus is filed, if required; or
- (b) the decision to implement the material change has been rejected and the issuer has so notified the regulator of each jurisdiction where the confidential material change report was filed.

7.2 Supporting Documents

- (1) Material that is filed in a jurisdiction will be made available for public inspection in that jurisdiction, subject to the provisions of securities legislation in the local jurisdiction regarding confidentiality of filed material. Material that is delivered to a regulator, but not filed, is not required under securities legislation to be made available for public inspection. However, the regulator may choose to make such material available for inspection by the public.
- (2) Any material incorporated by reference in a preliminary short form prospectus or a short form prospectus is required under section 9.1 and 9.2 of the National Instrument to be filed with the preliminary short form prospectus or short form prospectus unless previously filed. When an issuer using SEDAR files a previously unfiled document with its short form prospectus, the issuer should ensure that the document is filed under the SEDAR category of filing and filing subtype specifically applicable to the document, rather than the generic type "Other". For example, an issuer that has incorporated by reference an interim financial statement in its short form prospectus and has not previously filed the statement should file that statement under the "Continuous Disclosure" category of filing, and the "Interim Financial Statements" filing subtype.

7.3 Experts' Consent - Issuers are reminded that securities legislation in Alberta prescribes a form of consent for experts.

7.4 Material Contracts - Section 10.7 of the National Instrument requires an issuer to make available all material contracts referred to in a short form prospectus. The Canadian securities regulatory authorities recognize that certain material contracts or portions thereof may contain sensitive operational or financial information, disclosure of which would be competitively disadvantageous or otherwise detrimental to the issuer. The regulator will consider granting relief from the requirement to make these contracts available for public inspection if disclosure would be unduly detrimental to the issuer and the disclosure would not be necessary in the public interest.

7.5 Amendments and Incorporation by Reference of Subsequently Filed Material Change Reports - The requirement in securities legislation for the filing of an amendment to a preliminary prospectus and prospectus is not satisfied by the incorporation by reference in a preliminary short form prospectus or a short form prospectus of a subsequently filed material change report.

- 7.6 Short Form Prospectus Review** - No time frame applies to the review of a short form prospectus of an issuer if the issuer has not elected to use MRRS.
- 7.7 "Waiting Period"** - If the securities legislation of the local jurisdiction contains the concept of a "waiting period" such that the securities legislation requires that there be a specified period of time between the issuance of a receipt for a preliminary short form prospectus and the issuance of a receipt for a short form prospectus, the implementing law of the jurisdiction removes that requirement as it would otherwise apply to a distribution under National Instrument 44-101.
- 7.8 Refusal to Issue Prospectus Receipt** - The regulator has the discretion under securities legislation to refuse, in the public interest, to issue a receipt for a prospectus. Despite acceptance by a regulator of an issuer's AIF, if, at the time the issuer files a preliminary short form prospectus, a regulator has concerns about the adequacy or timeliness of the disclosure in the AIF and the disclosure is not supplemented in the short form prospectus, the regulator may refuse to issue a receipt for the short form prospectus.
- 7.9 Registration Requirements** - Issuers filing a preliminary short form prospectus or short form prospectus and other market participants are reminded to ensure that members of underwriting syndicates are in compliance with registration requirements under Canadian securities legislation in each jurisdiction in which syndicate members are participating in the distribution of securities under the short form prospectus.

PART 8 CONTENT OF AIF

8.1 Issuers of Asset-backed Securities

- (1) Item 4.2 of Form 44-101F1 and section 5.3 of Form 51-102F2 specify additional disclosure applicable to issuers of asset-backed securities that were distributed under a prospectus. Form 44-101F1 and Form 51-102F2 leave to an issuer of asset-backed securities the determination of which other prescribed disclosure is applicable and ought to be included in the AIF. Applicable disclosure for a special purpose issuer of asset-backed securities generally pertains to the nature, performance and servicing of the underlying pool of financial assets. The nature and extent of required disclosure may vary depending on the type and attributes of the underlying pool.

The following factors should be considered by an issuer of asset-backed securities in preparing its AIF:

1. The extent of disclosure respecting an issuer will depend on the extent of the issuer's on-going involvement in the conversion of the

assets comprising the pool to cash and the distribution of cash to security holders; this involvement may, in turn, vary dramatically depending on the type, quality and attributes of the assets comprising the pool and on the overall structure of the transaction.

2. Requested disclosure respecting the business and affairs of the issuer should be interpreted to apply to the financial assets underlying the asset-backed securities.
 3. Financial information respecting the pool of assets to be described and analyzed in the AIF will consist of information commonly set out in servicing reports prepared to describe the performance of the pool and the specific allocations of income, loss and cash flows applicable to outstanding asset-backed securities made during the relevant period.
- (2) Item 4.2(b)(i) of Form 44-101F1 AIF and section 5.3(2) of Form 51-102F2 require issuers of asset-backed securities that were distributed by way of prospectus to include information relating to the composition of the underlying pool of financial assets. Disclosure respecting the composition of the pool will vary depending upon the nature and number of the underlying financial assets. For example, in a geographically dispersed pool of financial assets, it may be appropriate to provide summary disclosure based on the location of obligors. In the context of a revolving pool, it may be appropriate to provide details relating to aggregate outstanding balances during a year in order to illustrate historical fluctuations in asset origination due, for example, to seasonality. In pools of consumer debt obligations, it may be appropriate to provide a breakdown within ranges of amounts owing by obligors in order to illustrate limits on available credit extended.

8.2 Non-corporate Issuers - Item 8 of Form 44-101F1 AIF and Item 10 of Form 51-102F2 require disclosure concerning the directors and officers of an issuer. An issuer that is not a corporation must refer to the definitions in securities legislation of "director" and "officer". The definition of "officer" may include any individual acting in a capacity similar to that of an officer of a company. Similarly, the definition of "director" typically includes a person acting in a capacity similar to that of a director of a company. Therefore, non-corporate issuers must determine in light of the particular circumstances which individuals or persons are acting in such capacities for the purposes of complying with Item 8 of Form 44-101F1 and Item 10 of Form 51-102F2.

PART 9 CONTENT OF SHORT FORM PROSPECTUS

9.1 Prospectus Liability - Nothing in the short form prospectus regime established by the National Instrument is intended to provide relief from liability arising under the provisions of Canadian securities legislation of any jurisdiction in which a short form prospectus is filed if the short form prospectus contains an untrue statement

of a material fact or omits to state a material fact that is required to be stated therein or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

9.2 Style of Prospectus - Canadian securities legislation requires that a prospectus contain "full, true and plain" disclosure. To that end, issuers and their advisors are reminded that they should ensure that disclosure documents are easy to read, and encourage issuers to adopt the following plain language principles in preparing a prospectus in the form of a short form prospectus:

- use short sentences
- use definite, concrete, everyday language
- use the active voice
- avoid superfluous words
- organize the document into clear, concise sections, paragraphs and sentences
- avoid legal or business jargon
- use strong verbs
- use personal pronouns to speak directly to the reader
- avoid reliance on glossaries and defined terms unless it facilitates understanding of the disclosure
- avoid vague boilerplate wording
- avoid abstractions by using more concrete terms or examples
- avoid excessive detail
- avoid multiple negatives.

If technical or business terms are required, clear and concise explanations should be used. The Canadian securities regulatory authorities are of the view that question and answer and bullet point formats are consistent with the disclosure requirements of the National Instrument.

9.3 Firm Commitment Underwritings - If an underwriter has agreed to purchase a specified number or principal amount of the securities to be distributed at a specified price, Item 1.8(4) of Form 44-101F3 requires the short form prospectus to contain a statement that the securities are to be taken up by the underwriter, if at all, on or before a date not later than 42 days after the date of the receipt for the short form prospectus. If the Canadian securities legislation of a jurisdiction requires that a prospectus indicate that the securities must be taken up by the underwriter within a period that is different than the period provided under the National Instrument, the implementing law of a jurisdiction exempts issuers from that requirement if they comply with the National Instrument.

9.4 Minimum Distribution - If a minimum amount of funds is required by an issuer and the securities are proposed to be distributed on a best efforts basis, Item 6.5 of Form 44-101F3 requires that the short form prospectus state that the distribution will not continue for a period of more than 90 days after the date of receipt for the short form prospectus if subscriptions representing the minimum amount of funds are not obtained within that period unless each of the persons and

companies who subscribed within that period has consented to the continuation. If the Canadian securities legislation of a jurisdiction requires that a distribution may not continue for more than a specified period if subscriptions representing the minimum amount of funds are not obtained within that period and the specified period is different than the period provided under the National Instrument, the implementing law of a jurisdiction exempts issuers from that requirement if they comply with the National Instrument.

9.5 Distribution of Asset-backed Securities

- (1) Item 8.3 of Form 44-101F3 specifies additional disclosure applicable for distributions of asset-backed securities. Applicable disclosure for a special purpose issuer of asset-backed securities generally pertains to the nature, performance and servicing of the underlying pool of financial assets, the structure of the securities and dedicated cash flows and any third party or internal support arrangements established to protect holders of the asset-backed securities from losses associated with non-performance of the financial assets or disruptions in payment. The nature and extent of required disclosure may vary depending on the type and attributes of the underlying pool and the contractual arrangements through which holders of the asset-backed securities take their interest in such assets.
- (2) The following factors should be considered by an issuer of asset-backed securities in preparing its short form prospectus:
 1. The extent of disclosure respecting an issuer will depend on the extent of the issuer's on-going involvement in the conversion of the assets comprising the pool to cash and the distribution of cash to security holders; this involvement may, in turn, vary dramatically depending on the type, quality and attributes of the assets comprising the pool and on the overall structure of the transaction.
 2. Requested disclosure respecting the business and affairs of the issuer should be interpreted to apply to the financial assets underlying the asset-backed securities.
 3. Disclosure respecting the originator or the seller of the underlying financial assets will be relevant to investors in the asset-backed securities particularly in circumstances where the originator or seller has an on-going relationship with the financial assets comprising the pool. For example, if asset-backed securities are serviced with the cash flows from a revolving pool of receivables, an evaluation of the nature and reliability of the future origination or the future sales of underlying assets by the seller to or through the issuer may be a critical aspect of an investor's investment decision. To address this, the focus of disclosure respecting an originator or seller of the underlying financial assets should deal with whether there are current circumstances that indicate that the originator or

seller will not generate adequate assets in the future to avoid an early liquidation of the pool and, correspondingly, an early payment of the asset-backed securities. Summary historical financial information respecting the originator or seller will ordinarily be adequate to satisfy the disclosure requirements applicable to the originator or seller in circumstances where the originator or seller has an ongoing relationship with the assets comprising the pool.

- (3) Item 8.3(d)(i) of Form 44-101F3 requires issuers of asset-backed securities to describe any person or company who originated, sold or deposited a material portion of the financial assets comprising the pool, irrespective of whether the person or company has an on-going relationship with the assets comprising the pool. The Canadian securities regulatory authorities consider 33a% of dollar value of the financial assets comprising the pool to be a material portion in this context.

9.6 Distribution of Specified Derivatives - Item 8.4 of Form 44-101F3 specifies additional disclosure applicable to distributions of specified derivatives. This prescribed disclosure is formulated in general terms for issuers to customize appropriately in particular circumstances.

9.7 Underlying Securities - Issuers are reminded that if securities being distributed are convertible into or exchangeable for other securities, or are a derivative of, or otherwise linked to, other securities, a description of the material attributes of the underlying securities would generally be necessary to meet the requirement of securities legislation that a prospectus contain full, true and plain disclosure of all material facts relating to the securities.

9.8 Financial Statements - Documents incorporated by reference in a preliminary short form prospectus are required under section 9.1 of the National Instrument to be filed with the preliminary short form prospectus if they have not previously been filed. Section 9.2 of the National Instrument contains a similar provision for a short form prospectus. This may result in financial statements that have been incorporated by reference under Item 12.1 of Form 44-101F3 being filed earlier than would otherwise be the case under the continuous disclosure requirements of securities legislation. The implementing law of each jurisdiction provides relief, if necessary, from the requirement of securities legislation to send these statements concurrently to security holders and, in British Columbia, to file written confirmation of having sent these statements. The conditions to the relief require the issuer to send the financial statements to security holders within the time periods and in accordance with the other provisions of continuous disclosure requirements of securities legislation and, in British Columbia, to file written confirmation of sending to security holders.

- 10.1 Fee for Documents** - The CSA are of the view that issuers that charge non-security holders that request copies of the documents referred to in paragraph (a) of section 13.3 of the National Instrument should not charge an amount more than the issuer's reasonable cost of sending the documents. If the issuer's practice is to charge non-security holders for the documents, a statement to that effect should be included in the information circular.

PART 11 CERTIFICATES

11.1 Non-corporate Issuers

- (1) Item 21.1(a) of Form 44-101F3 requires an issuer to include a certificate in the prescribed form signed by the chief executive officer and the chief financial officer or, if no such officers have been appointed, a person acting on behalf of the issuer in a capacity similar to a chief executive officer and a person acting on behalf of the issuer in a capacity similar to a chief financial officer. For a non-corporate issuer that is a trust and has a trust company acting as its trustee, this officers' certificate is frequently signed by authorized signing officers of the trust company that perform functions on behalf of the trust similar to those of a chief executive officer and a chief financial officer. In some cases, these functions are delegated to and performed by other persons (e.g. employees of a management company). If the declaration of trust governing the issuer delegated the trustee's signing authority, the officers' certificate may be signed by the persons to whom authority is delegated under the declaration of trust to sign documents on behalf of the trustee or on behalf of the trust, provided that those persons are acting in a capacity similar to a chief executive officer or chief financial officer of the issuer.
- (2) Item 21.1(b) of Form 44-101F3 requires an issuer to include a certificate in the prescribed form signed on behalf of the board of directors, by two directors of the issuer, other than the persons referred to in Item 21.1(a), duly authorized to sign. Issuers that are not companies are directed to the definition of "director" in securities legislation to determine the appropriate signatories to the certificate. The definition of "director" in securities legislation typically includes a person acting in a capacity similar to that of a director of a company. Issuers that are not companies are also directed to the definition of "person" in securities legislation.

11.2 Promoters of Issuers of Asset-backed Securities

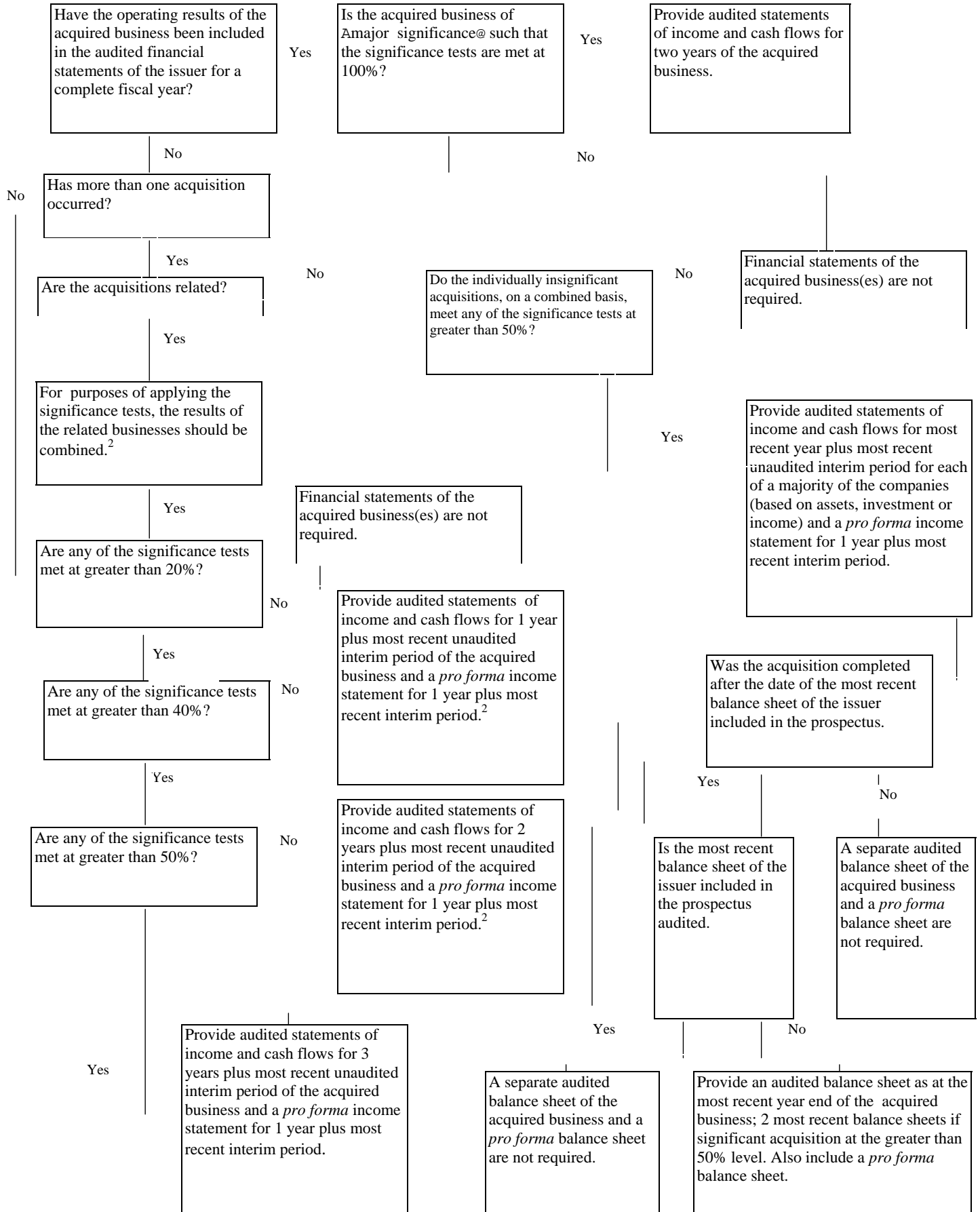
- (1) Canadian securities legislation contains definitions of "promoter" and requires, in certain circumstances, a promoter of an issuer to assume statutory liability for prospectus disclosure. Asset-backed securities are commonly issued by a "special purpose" entity, established for the sole purpose of facilitating one or more asset-backed offerings. The Canadian securities regulatory authorities are of the opinion that special purpose

issuers of asset-backed securities will have a promoter because someone will typically have taken the initiative in founding, organizing or substantially reorganizing the business of the issuer. The Canadian securities regulatory authorities interpret the business of such issuers to include the business of issuing asset-backed securities and entering into the supporting contractual arrangements.

- (2) For example, in the context of a securitization program under which assets of one or more related entities are financed by issuing asset-backed securities (sometimes called a "single seller program"), an entity transferring or originating a significant portion of such assets, an entity initially agreeing to provide on-going collection, administrative or similar services to the issuer, and the entity for whose primary economic benefit the asset-backed program is established, will each be a promoter of the issuer if it took the initiative in founding, organizing or substantially reorganizing the business of the issuer. Persons or companies contracting with the issuer to provide credit enhancements, liquidity facilities or hedging arrangements or to be a replacement servicer of assets, and investors who acquire subordinated investments issued by the issuer, will not typically be promoters of the issuer solely by virtue of such involvement.
- (3) In the context of a securitization program established to finance assets acquired from numerous unrelated entities (sometimes called a "multi-seller program"), the person or company (frequently a bank or an investment bank) establishing and administering the program in consideration for the payment of an on-going fee, for example, will be a promoter of the issuer if it took the initiative in founding, organizing or substantially reorganizing the business of the issuer. Individual sellers of the assets into a multi-seller program are not ordinarily considered to be promoters of the issuer, despite the economic benefits accruing to such persons or companies from utilizing the program. As with single-seller programs, other persons or companies contracting with the issuer to provide services or other benefits to the issuer of the asset-backed securities will not typically be promoters of the issuer solely by virtue of such involvement.
- (4) While the Canadian securities regulatory authorities have included this discussion of promoters as guidance to issuers of asset-backed securities, the question of whether a particular person or company is a "promoter" of an issuer is ultimately a question of fact to be determined in light of the particular circumstances.

APPENDIX A

OVERVIEW OF BUSINESS ACQUISITIONS DECISION CHART¹



Notes

- 1 This decision chart provides general guidance and should be read in conjunction with National Instrument 44-101 and Companion Policy 44-101CP. No reference is made to pre-acquisition periods for the sake of simplicity.
- 2 If an acquisition of related businesses constitutes a significant acquisition when the results of the related businesses are combined, the required financial statements shall be provided for each of the related businesses.

APPENDIX B - ILLUSTRATIVE EXAMPLES

The following examples illustrate the application of certain parts of the National Instrument in determining the financial statements which should be included in a prospectus based on the specific facts and circumstances of the example. Selected explanations are provided to clarify the outcome or results in some cases. The subheading *Avariations@* describes how the requirements would change given a change in certain facts.

Unless otherwise stated, the Issuer is assumed to have a December 31 year end.

Terms and references used throughout the examples are defined as follows:

Year 1 - refers to the current year.

Year 2 - refers to the year immediately preceding Year 1.

Year 3 - refers to the year immediately preceding Year 2.

Year 4 - refers to the year immediately preceding Year 3.

Q1 - refers to the first quarter or 3-month period of a year.

Q2 - refers to the second quarter or 3-month period of a year.

Q3 - refer to the third quarter or 3-month period of a year.

Company A or B or C, etc - refers to a completed or probable acquisition of a business.

EXAMPLE 1 - SIGNIFICANT ACQUISITION OF A COMPANY IN YEAR 1

Assumptions:

The Issuer files a prospectus on June 15, Year 1.

The Issuer acquired Company A on April 15, Year 1.

Company A has a December 31 year end.

Company A does not qualify as a short form issuer.

Company A=s financial statements for the year ended December 31, Year 2 have been audited.

Company A=s financial statements for Q1-Year 1 were filed before the preliminary prospectus is filed.

The significance tests under subsection 1.2(2) of the National Instrument are applied using the audited financial statements of the Issuer and Company A for the year ended December 31, Year 2. Company A is determined to be significant at 65%, 55% and 35% based on the income test, the investment test, and the asset test, respectively.

Financial Statement Requirements:

The preliminary prospectus filed on June 15 should include or incorporate by reference, as appropriate, the following financial statements of the Issuer and Company A:

Issuer:

Audited statements of income, retained earnings and cashflows for years 2, 3 and 4.

Audited balance sheets for years 2 and 3.

Unaudited statements of income, retained earnings and cashflows for Q1 of years 1 and 2.

Unaudited balance sheet as at March 30, Year 1.

Pro forma income statements for Year 2 and Q1- Year 1. Each *pro forma* income statement is prepared to give effect to the acquisition of Company A as if it had occurred on January 1, Year 2.

Pro forma balance sheet to give effect to the acquisition of Company A as if it had occurred on March 30 –Year 1.

Company A

Audited financial statements for Years 2, 3 and 4.

Unaudited statements of income, retained earnings and cash flows for Q1 - Years 1 and 2.

Unaudited balance sheet as at March 30, Year 1.

Explanations:

1. Financial statements would be required for three years which corresponds the level of significance, as outlined in section 4.6 of the National Instrument.
2. A *pro forma* balance sheet is required because the March 30, Year 1 balance sheet of the Issuer does not reflect the acquisition.

Variations:

1. If the Issuer filed its preliminary prospectus on April 15, it would be unnecessary to include the Q1 financial statements of the Issuer, including the *pro forma* financial statements, unless those financial statements had been filed, because April 15 is not more than 60 days from March 30, the last day of Q1. However, the Issuer would be required to include audited financial statements for the year ended December 31, Year 2 because that year ended more than 90 days before April 15, the date of the preliminary prospectus.

2. If the Issuer filed its preliminary prospectus on March 25 and its final prospectus on April 5, the issuer would not be required to include the audited financial statements for the year ended December 31, Year 2 in the final prospectus unless those financial statements had been filed.
3. If the Issuer filed its final prospectus on September 10th, the Instrument would require it to include in the prospectus its unaudited financial statements for Q2-Year1 because the interim period ended more than 60 days from the date of the prospectus. The Issuer would be required to update all disclosure in the prospectus, including the pro forma financial statements for the interim period, to reflect the Q2 results.

EXAMPLE 2 - RE-CALCULATING THE SIGNIFICANCE OF AN ACQUISITION AND PREPARING *PRO FORMA* FINANCIAL STATEMENTS WHEN THE YEAR END OF THE ISSUER AND THE BUSINESS DIFFER BY MORE THAN 93 DAYS.

Assumptions:

The Issuer files a prospectus on April 15, Year 1.

The Issuer acquired Company A on November 15, Year 2.

Company A is a public company.

Company A does not qualify as a short form issuer.

Company A's year end is June 30.

Company A's financial statements for the year ended June 30, Year 2 have been audited.

Company A filed its Q1-Year 2 financial statements on October 31.

Note: Company A's fiscal year 1 begins on July 1 of the issuer's fiscal year 2 which is also the calendar year. For simplicity, all references will be to calendar years instead of fiscal year. For example, Company A's Q1 financial statements for its fiscal year 1 will be referred to as its Q1-Year 2 financial statements.

The significance tests are applied using the Issuer's audited financial statements for the year ended December 31, Year 3 and Company A's audited financial statements for the year ended June 30, Year 2. Company A is determined to be significant at 55% based on the Income test.

Company A became the Issuer's Subsidiary A following the acquisition. Subsidiary A operates much as it did prior to the acquisition and has not been restructured by the Issuer. Separate financial records are maintained.

The Issuer recalculated the significance of Subsidiary A based on the Issuer's financial statements for the year ended December 31, Year 2 after deconsolidating the results of Subsidiary A from the date of acquisition. For the purpose of applying the significance tests at this second date, December 31,

Year 2, the financial results of Subsidiary A for the period January 1 to December 31, Year 2 were used. As a result of the calculations, Subsidiary A is significant at 46% based on the income test.

Financial Statement Requirements:

The prospectus filed on April 15 should include the following financial statements:

Issuer:

Audited statements of income, retained earnings and cash flows for the years ended Years 2, 3 and 4.

Audited balance sheets as at December 31, Years 2 and 3.

Company A:

Audited statements of income, retained earnings and cash flows for the years ended June 30, Years 2 and 3.

Audited balance sheets as at June 30, Years 2 and 3.

Unaudited statements of income, retained earnings and cash flows for Q1- Years 2 and 3.

Unaudited balance sheet as at June 30, Year 2.

***Pro forma* Income Statement**

In addition to the financial statements listed above, a *pro forma* income statement of the Issuer must be included in the prospectus. A *pro forma* balance sheet is not required because the acquisition occurred prior to December 31, Year 2, the most recent balance sheet of the Issuer included in the prospectus. The December 31 year end of the Issuer and the June 30 year end of Company A (prior to the acquisition) differ by more than 93 days. The following alternatives are some of those available to the Issuer for the purpose of preparing a *pro forma* income statement:

- (1) Prepare an income statement for Company A for the period January 1, Year 2 to November 14 and compile these results with the Issuer=s audited consolidated income statement for the year ended December 31, Year 2. A comfort letter would be filed with the Securities Regulator(s) in connection with Company A=s income statement.
- (2) Prepare an income statement for Company A for the period October 1, Year 3 to September 30, Year 2 which period ends not more than 93 days from December 31. This may be accomplished by starting with Company A=s income statement for the year ended June 30, Year 2, deducting Q1 of that year (July 1 to September 30, Year 2) and adding Q1 of fiscal year 1 (July 1 to September 30, Year 1). Deduct the post-acquisition results of Subsidiary A from the Issuer=s consolidated income statement for

the year ended December 31, Year 2. Compile the two income statements. A comfort letter would be filed with the securities regulators with respect to both the Issuer=s deconsolidated income statement and Company A=s constructed income statement.

- (3) Prepare an income statement for Company A for the period January 1, Year 2 to September 30, Year 2 and add this to the Issuer=s consolidated income statement for the year ended December 31, Year 2. The results of Company A for the period October 1 to October 31 would have to be included as a separate column in the *pro forma* income statement. A comfort letter would be filed with the Securities Regulator(s) in connection with Company=s A income statement for the period January 1 to September 30 and with respect to the results for the stub period October 1 to November 14, either separately or on a combined basis.
- (4) Prepare an income statement for Company A for the period April 1, Year 2 to March 30, Year 2 and add this to the Issuer=s consolidated income statement for the year ended December 31, Year 3. A comfort letter would be filed with the securities regulator(s) in connection with Company=s A income statement for the 12 months ended March 30, Year 2.

Variations:

1. **Historical Financial Statements of Company A to be included in the Prospectus** - If Company A=s year end was December 31 and pre-acquisition financial statements for the period January 1 to November 14, Year 2 were prepared and audited, assuming Company A is significant at the 46% threshold, the audited financial statements for the 10.5 month period ended November 14 would have satisfied the requirement for one of the two years of audited financial statements otherwise required because they are audited and for a period greater than 9 months. The prospectus would also include audited financial statements of Company A for the year ended December 31, Year 3 however, no interim financial statements would be required.
2. ***Pro forma* Income Statement** - If Company A=s year end was December 31, a pre-acquisition income statement for the period January 1 to November 14 could have been prepared and compiled with the Issuer=s audited consolidated income statement for the year ended December 31, Year 2. No other interim financial statements would be required, other than the Year 3 comparative financial statements.

EXAMPLE 3 - PREPARING *PRO FORMA* FINANCIAL STATEMENTS TO GIVE EFFECT TO A BUSINESS ACQUIRED DURING THE ISSUER=S CURRENT YEAR

WHEN THE YEAR-ENDS OF THE ISSUER AND THE BUSINESS DIFFER BY MORE THAN 93 DAYS.

Assumptions:

The Issuer files a prospectus June 10, Year 1.
 The Issuer acquired Company A on April 5, Year 1.
 The Issuer filed its Q1-Year 1 interim financial statements on May 30.
 Company A is a public company.
 Company A does not qualify as a short form issuer.
 Company A's year end is May 30.
 Company A's financial statements for the year ended April 30, Year 1 are not audited as at the time the prospectus is filed.
 Company A filed its Q3-Year 1 interim financial statements on April 29, Year 1.

Company A is determined to be significant at 44%.

Financial Statement Requirements:

The preliminary prospectus filed on June 10 should include the following financial statements:

Issuer:

Audited statements of income, retained earnings and cash flows for the years ended December 31, Years 2, 3 and 4.
 Audited balance sheets as at December 31, Years 2 and 3.
 Unaudited statements of income, retained earnings and cash flows for Q1- Years 1 and 2.
 Unaudited balance sheet as at March 31, Year 1.

Company A:

Audited statements of income, retained earnings and cash flows for the years ended April 30, Years 2 and 3.
 Audited balance sheets as at April, Years 2 and 3.
 Unaudited statements of income, retained earnings and cash flows for Q3-Years 1 and 2.
 Unaudited balance sheet as at February 28, Year 1.

Pro forma Financial Statements

In addition to the financial statements listed above, the following *pro forma* financial statements of the Issuer are required to be included in the prospectus because the acquisition occurred subsequent to the date of the most recent financial statements of the Issuer included in the prospectus:

A *pro forma* balance sheet as at March 31, Year 1.

A *pro forma* income statement for the year ended December 31, Year 2.

A *pro forma* income statement for the 3 months ended March 31, Year 1.

The December 31 year end of the Issuer and the April 30 year end of Company A (prior to the acquisition) differ by more than 93 days. The *pro forma* balance sheet should be prepared as follows:

Pro forma balance sheet - Combine the Issuer=s balance sheet as at March 30, Year 1 with Company A=s balance sheet as at February 28, Year 1.

The following is one alternative available to the Issuer for preparing the *pro forma* income statements:

Pro forma income statement for the year ended December 31, Year 2 - Combine the Issuer=s audited income statement for the year ended December 31, Year 2 with the 12 month income statement of Company A for the period March 1, Year 2 to February 28, Year 1.

Pro forma income statement for the 3 months ended March 31, Year 1 - Combine the Issuer=s Q1- Year 1 income statement with the income statement of the Issuer for the three month period ended February 28, Year 1.

The 12 month and 3 month *pro forma* income statements should be prepared to give effect to the acquisition of Company A as if it occurred on January 1, Year 2. Each *pro forma* income statement includes results of Company A for the period December 1, Year 2 to February 28, Year 1. The notes to the *pro forma* financial statements should disclose the fact that the results of Company A for the 3 months ended February 28, Year 1, which were used to prepare the 3 month *pro forma* income statement, are also included in the 12 month *pro forma* income statement. The overlapping period is Company A=s third quarter, the results of which are fully disclosed in the 3 month *pro forma* income statement therefore, it is unnecessary to provide additional disclosure about the revenue, expenses, gross profit or income from continuing operations.

EXAMPLE 4 - APPLICATION OF THE SIGNIFICANCE TESTS FOR INDIVIDUALLY INSIGNIFICANT ACQUISITIONS - ALL COMPANIES HAVE INCOME FROM CONTINUING OPERATIONS

Assumptions

The Issuer acquired five companies, A, B, C, D and E, during Year 2, its most recently completed financial year. The Issuer files a prospectus on April 15, Year 1. Each company reported net income from continuing operations during its most recently completed year ended before the date of the acquisition.

Discussion

Section A of the following table presents the consolidated assets and consolidated net income from continuing operations of each company as reported on the audited financial statements of each company for its most recently completed financial year ended prior to the date of its acquisition by the Issuer. The Ainvestment@ column presents the Issuer=s consolidated investments in and advances to each company as at the date of its acquisition by the Issuer. Section B presents the individual significant of each acquisition as a results of applying the significance tests. Each company acquired is individually insignificant. However, on a combined basis, the acquisitions are significant, satisfying the asset, income and investment tests at 40%, 50% and 75%, respectively.

Company	Section A \$ Millions			Section B % of Issuer's Results		
	Assets	Income	Investment	Assets	Income	Investment
A	300	30	550	8%	8%	14%
B	200	20	500	5%	5%	13%
C	400	35	700	10%	9%	17%
D	500	55	600	13%	14%	15%
E	200	60	650	5%	15%	16%
	<u>1,600</u>	<u>200</u>	<u>3,000</u>	<u>40%</u>	<u>50%</u>	<u>75%</u>
Issuer's Dec. 31 balance	\$4,000	\$400				
Aggregate Significance of Companies= Combined Results	40%	50%	75%			
Highest significance			75%			

The investment test is satisfied at the highest percentage. As a result, the Issuer should include in its prospectus audited financial statements of those companies which comprise at least 50% of the total investment in all five companies acquired - i.e. 50% of \$3000 or \$1500.

The following table shows some of the combinations of the companies= financial statements which the Issuer may include in its prospectus. Column B shows the Issuer=s combined investments in and advances to the companies identified in column A. Column C shows that the combined investments in and advances to each combination of companies represents more than 50% of the Issuer=s investments in and advances to all five companies acquired. The Issuer should include in its prospectus audited financial statements for each of the companies in the selected combination for the most recently completed financial year and

the most recently completed interim period of the company, which ended more than 90 and 60 days before the date of the prospectus, respectively, and before the date of the acquisition.

A	B	C
Companies	Combined Investments in and Advances to the Companies \$ Greater than \$1,500	Combined Purchase Price of Selected Companies as a % of \$3000
A+B+C	1,750	58%
A+B+D	1,650	55%
A+D+E	1,800	60%
B+C+D	1,800	60%
C+D+E	1,950	65%

EXAMPLE 5 - APPLICATION OF THE SIGNIFICANCE TESTS FOR INDIVIDUALLY INSIGNIFICANT ACQUISITIONS WHEN SOME OF THE COMPANIES HAVE LOSSES FROM CONTINUING OPERATIONS

Assumptions

The Issuer acquired seven companies, A, B, C, D, E, F and G during Year 2, its most recently completed financial year. The Issuer files a prospectus on May 20, Year 1. Companies A, C, E, and G reported net income from continuing operations during its most recently completed year ended before the date of the acquisition while companies B, D and F reported net losses from continuing operations.

Discussion

Section A of the following table show the consolidated net income or net loss reported by each company acquired by the Issuer during the most recently completed financial year of the company ended before the date of the acquisition. For the purposes of calculating the significance of each company, the companies have been segregated. Section B includes the companies which reported consolidated net income while section C includes those companies which reported net losses. The second column of sections B and C illustrate that each company is individually insignificant based on the income test. However, in aggregate, the companies reporting net income are significant at 65% while those reporting net losses are significant at 46%, based on the absolute value of the aggregate net losses. As a result, companies A through G inclusive, are significant at 65% and financial statements should be provided for any combination of companies whose aggregate net income is at least \$485 (ie. 50%

of \$970). The combination of companies should be selected using the absolute value of any net losses.

The Issuer should include in its prospectus audited financial statements for each of the companies in the selected combination for the most recently completed financial year and the most recently completed interim period of the company, which ended more than 90 and 60 days before the date of the prospectus, respectively, and before the date of the acquisition.

Note that if the aggregate significance under both sections B and C was less than 50%, then no financial statements of any of the companies would be required.

Company	Section A	Section B		Section C	
	Net Income(Loss) from Continuing Operations	Net Income	Significance	Net Loss	Significance
A	\$ 235	\$235	16%		
B	(200)			\$ (200)	-16%
C	210	210	14%		
D	(245)			(245)	-18%
E	250	250	17%		
F	(250)			(250)	-18%
G	275	275	18%		
	<u>\$ 275</u>	<u>\$970</u>		<u>\$ (695)</u>	
Absolute Value		\$ 970		\$ 695	
Issuer's Net Income	<u>\$1,500</u>				
Aggregate significance based on the absolute value of the companies net income(loss) as a % of Issuer's net income		<u>65%</u>		<u>46%</u>	