

## NPS47 Prompt Offering Qualification System

### **PART 1 PURPOSE**

The prompt offering qualification system for the distribution of securities of eligible issuers was first introduced in 1982. It was designed to shorten the time period and to streamline the procedures by which these issuers and their selling security holders could have access to the Canadian capital markets through a prospectus offering. The Canadian Securities Administrators are satisfied that the prompt offering qualification system in its present form has achieved its objectives without reducing the existing benefits of investor protection or the degree and quality of disclosure to the public. The Canadian Securities Administrators, however, believe that by adopting a national policy statement on the prompt offering qualification system, further efficiencies in the timing and procedures for access to the Canadian capital markets will be gained by eligible issuers and their selling security holders.

### **PART 2 APPLICATION**

The Commission des valeurs mobilières du Québec agrees with the purpose and intent of this Policy Statement, but is not a participant in the Policy Statement, as its Act, Regulation and policy statements have, since 1982, provided for accessibility to a simplified prospectus procedure by any issuer that has been a reporting issuer for 12 months and has filed a permanent information record. Issuers are reminded to refer specifically to the Québec legislation when considering a distribution of securities in the Province of Québec and concurrently in other jurisdictions under this Policy Statement.

### **PART 3 INTERPRETATION**

In this Policy Statement and its appendices, unless the context otherwise requires:

"AIF"<sup>1</sup>

<sup>1</sup> See part 9 for transitional provisions and provisions relating to the coming into effect of this Policy Statement.

means an annual information form prepared in accordance with the provisions of Appendix A;

"Applicable Regulator" means the appropriate representative of the relevant Securities Regulatory Authority in each Jurisdiction as set out in Appendix C;

"Approved Rating" means any one of the following generic rating categories applicable to debt or preferred shares, as the case may be, set opposite each Approved Rating Organization's name:

Approved Rating Organization	Debt	Preferred Shares
C.B.R.S. Inc.	A++, A+, A, or B++	P-1+, P-1, P-2 or P-3
Dominion Bond Rating Service Limited	AAA, AA, A or BBB	Pfd-1, Pfd-2 or Pfd-3
Moody's Investors Service, Inc.	Aaa, Aa, A or Baa	"aaa", "aa", "a" or "baa"
Standard & Poor's Corporation	AAA, AA, A or BBB	AAA, AA, A or BBB;

"Approved Rating Organization" means each of C.B.R.S. Inc., Dominion Bond Rating Service Limited, Moody's Investors Service, Inc. and Standard & Poor's Corporation<sup>2</sup>

<sup>2</sup> Canadian issuers contemplating making a cross border offering using Form F-9 of the multijurisdictional disclosure system adopted by the SEC should refer to section 8 of National Policy Statement No. 45, as amended.;

"Associate" means, for purposes of section 4.1 (2) (a), where used to indicate a relationship with any Person,

- (a) a partner, other than a limited partner, of that Person,
- (b) a trust or estate in which that Person has a substantial beneficial interest or for which that Person serves as trustee or in a similar capacity,
- (c) an issuer in respect of which that Person beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the issuer,
- (d) a relative of that Person who has the same home as that Person,
- (e) any individual who has the same home as that Person and who is either married to that Person or living with that Person as husband or wife, or
- (f) any relative of the individual mentioned in paragraph (e) who has the same home as that Person, and

for all other purposes, "associate" as defined in the Securities Legislation of a Jurisdiction;

"Canadian GAAP" refers to the generally accepted accounting principles described in National Policy Statement No. 27;

"Capital Resources" means indebtedness, share capital and any other financial arrangement, whether reflected on the balance sheet or not, that can reasonably be considered to provide resources to an issuer (e.g., leases and put options);

"CICA" means the Canadian Institute of Chartered Accountants;

"CICA Handbook" means the Handbook of the CICA;

"Connected Party" in respect of the application of this Policy Statement in a Jurisdiction, has the meaning assigned to "connected party" or "connected issuer" or "related party" or "related issuer" in the provisions of the Securities Legislation or Securities Requirements of that Jurisdiction regulating conflicts of interest in connection with the distribution of securities of a registrant or of a "related party" or "related issuer" or "connected party" or "connected issuer" of a registrant;

"Convertible", where used to describe debt or preferred shares, means that the rights and attributes attaching to those securities include the right or option to purchase, convert or exchange or otherwise acquire any Equity Securities of any issuer, or any other security that itself includes the right or option to purchase, convert or exchange or otherwise acquire any Equity Securities of any issuer;

"Current AIF"<sup>3</sup>

<sup>3</sup> See part 9 for transitional provisions and provisions relating to the coming into effect of this Policy Statement.

means

- (a) during the period of 140 days following an issuer's most recently completed financial year
  - (i) if an issuer's AIF for its most recently completed financial year has been accepted for filing in accordance with section 5.1 or 5.2(1), the AIF of the issuer for that financial year, or
  - (ii) if an issuer's AIF for its most recently completed financial year has not been accepted for filing in accordance with section 5.1 or 5.2(1), the AIF of the issuer for its immediately preceding financial year provided that AIF has previously been accepted for filing in accordance with section 5.1 or 5.2(1) or (2), and
- (b) at any other time, the AIF of the issuer for its most recently completed financial year provided it has been accepted for filing under section 5.1 or 5.2(1) or (2);

"Designated Countries" means countries designated from time to time by the Office of the Superintendent of Financial Institutions Canada as requiring provisions against general country risk;

"Equity Securities" means securities of an issuer that carry a residual right to participate in earnings of the issuer and, upon liquidation or winding up of the issuer, in its assets;

"Failure Date" means

- (a) where preferred shares are to be distributed, the date on which the issuer of the preferred shares is expected to pay any amount referred to in section 4.3 (1) (b) (i) (A) but fails to do so, or
- (b) where debt is to be distributed, the date on which the issuer of the debt is required to pay any amount referred to in section 4.3(1) (b) (i) (B) but fails to do so;

"Implementation Order" means the blanket order or ruling issued by the Securities Regulatory Authority of a Jurisdiction giving effect to this Policy Statement;

"Initial AIF"<sup>4</sup>

<sup>4</sup> See part 9 for transitional provisions and provisions relating to the coming into effect of this Policy Statement.

means the AIF filed by an issuer under this Policy Statement in order to participate in the POP System in a Jurisdiction

- (a) for the first time, or
- (b) upon the issuer again becoming eligible to participate in the Pop System in that Jurisdiction after having ceased to be eligible to participate in the POP System in that Jurisdiction;

"Investee" means a company, partnership, joint venture or other arrangement in which the issuer holds an equity interest and that is not a subsidiary of, controlled by, or a temporary investment of, the issuer;

"Jurisdiction" means a province or territory of Canada;

"MD&A" means management's discussion and analysis of financial condition and results of operations of an issuer required to be disclosed in the AIF under item 5 in Appendix A;

"NPS 1" means National Policy Statement No. 1;

"NPS 44" means National Policy Statement No. 44;

"Non-Convertible", where used to describe debt or preferred shares, means securities that are not Convertible;

"Participants" means all the issuers that, directly or indirectly, are parties to a Reorganization; for greater certainty, "Participants" includes any issuer that issues securities pursuant to a Reorganization to holders of securities of any party to the Reorganization;

"Person" means "company" or "person" as defined in the Securities Legislation of a Jurisdiction;

"POP System" means the prompt offering qualification system for the distribution by or on behalf of an issuer or a Selling Security Holder of securities of an issuer by means of a short form prospectus as contemplated in this Policy Statement;

"Principal Jurisdiction" means the Jurisdiction selected by an issuer pursuant to NPS 1; where an issuer must select a Principal Jurisdiction under this Policy Statement in circumstances that are not discussed in NPS 1, the issuer shall be guided by the principles set out in NPS 1 in selecting its Principal Jurisdiction; where only one Jurisdiction is involved, the "Principal Jurisdiction" shall be the relevant Jurisdiction;

"Renewal AIF"<sup>5</sup>

<sup>5</sup> See part 9 for transitional provisions and provisions relating to the coming into effect of this Policy Statement.

means any AIF that is not an Initial AIF;

"Reorganization" means

- (a) an amalgamation, other than an amalgamation of an issuer and one or more of its wholly-owned subsidiaries where the issuer's audited consolidated financial statements for its last three financial years include the results of the subsidiary or subsidiaries that are a party to the amalgamation,
- (b) a merger,
- (c) an arrangement, or
- (d) any other similar transaction;

"Revised AIF" means, as appropriate, the final version of

- (a) any Initial AIF, Renewal AIF or Current AIF, if revisions are necessary as a result of the review undertaken under section 5.1; and
- (b) any Renewal AIF, if revisions are necessary as a result of the selective review undertaken under section 5.2(6);

"SEC" means the Securities and Exchange Commission of the United States of America;

"Securities Legislation" means the statutes concerning the regulation of securities markets and trading in securities in a Jurisdiction, and the regulations in respect of these statutes;

"Securities Regulatory Authority" means the securities commission or similar regulatory authority in existence from time to time in a Jurisdiction;

"Securities Requirements" means the blanket rulings and orders made under the Securities Legislation of a Jurisdiction, and the policy statements and written interpretations issued by the Securities Regulatory Authority of that Jurisdiction;

"Selling Security Holder" means a holder of the securities of an issuer, provided the issuer satisfies the applicable eligibility criteria of part 4;

"Successor Issuer" means any issuer existing as an issuer after a Reorganization<sup>6</sup>

<sup>6</sup> Where there is a spin-off of a part of the business of an issuer, the resulting issuer is not a Successor Issuer as defined above. However, the Securities Regulatory Authorities will consider applications requesting that the resulting issuer be permitted to use the POP System.

; and

"1934 Act" means the Securities Exchange Act of 1934 of the United States of America.

## **PART 4 ELIGIBILITY CRITERIA**

### **4.1 Basic eligibility criteria**

(1) An issuer is eligible to participate in the POP System in a Jurisdiction if:

(a) the issuer meets the following reporting issuer requirements:

- (i) the issuer has been a reporting issuer under the Securities Legislation of the Jurisdiction for the 12 calendar months immediately preceding the date of filing of its AIF in the Jurisdiction, or
- (ii) the issuer has been a reporting issuer under the Securities Legislation of another Jurisdiction for the 12 calendar months immediately preceding the date of filing of its AIF in the Jurisdiction, provided

(A) the issuer files with its AIF, or has previously filed, all continuous disclosure documents that it was required to file under the Securities Legislation and Securities Requirements of each Jurisdiction in which it was a reporting issuer for the 12 calendar months immediately preceding the date of filing of its AIF, and

(B) if the issuer is not a reporting issuer in the Jurisdiction or is not deemed to be, or designated as, a reporting issuer under the Implementation Order issued by the Jurisdiction,

(aa) the issuer files with its AIF, or has previously filed, an application to be deemed to be, or designated as, a reporting issuer in accordance with the Securities Legislation and the Securities Requirements of the Jurisdiction and the Jurisdiction issues an

order deeming the issuer to be, or designating the issuer as, a reporting issuer in that Jurisdiction, or

- (bb) if the Jurisdiction is unable to deem an issuer to be, or designate an issuer as, a reporting issuer<sup>7</sup>

<sup>7</sup> For example, the Securities Legislation in Ontario does not permit an issuer to be deemed to be, or designated as, a reporting issuer.,

the issuer files with its AIF an undertaking to file all continuous disclosure documents that it would be required to file under the Securities Legislation and the Securities Requirements of that Jurisdiction if it were a reporting issuer in that Jurisdiction from the time of the filings required under section 4.1 (1) (a) (ii) (A) until the issuer becomes a reporting issuer in that Jurisdiction;

- (b) at the time its AIF is filed, the issuer is not in default of any requirement of the Securities Legislation of the Jurisdiction; and
- (c) the aggregate market value of the issuer's Equity Securities, listed and posted for trading on a stock exchange in Canada, is \$75,000,000 or more.

- (2) For purposes of section 4.1 (1) (c), the market value of each class of Equity Securities<sup>8</sup>

<sup>8</sup> Where an issuer wishes to include the market value of instalment receipts representing its Equity Securities in the calculation of the market value of its Equity Securities, the issuer shall use the total number of instalment receipts, held by security holders that meet the requirements of section 4.1(2) (a), and the arithmetic average of the closing prices of the instalment receipts determined under section 4.1 (2) (b).

of the issuer shall be calculated by multiplying:

- (a) the total number of Equity Securities of that class, outstanding as at the end of the applicable period referred to in (b) below, excluding those Equity Securities of the class that are beneficially owned, directly or indirectly, or over which control or direction is exercised by Persons that alone or together with their respective affiliates and Associates, beneficially own or exercise control or direction over more than 10% of the issued and outstanding Equity Securities of the issuer (provided that Equity Securities that would be excluded because a portfolio manager of a pension fund, mutual fund or non-redeemable investment fund exercises control or direction over those securities need not be excluded unless the portfolio manager is an affiliate of the issuer)<sup>8a</sup>; by

<sup>8a</sup>The following examples are provided to assist issuers and their advisers in the calculation of the market value of the issuer.

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 (15% in the aggregate).

Result: The aggregated Equity Securities do not have to be excluded in calculating the market value of the issuer's Equity Securities.

Example (3): Facts are the same as in Example (2) above except that, in this example, assume that the portfolio manager and the affiliate of the portfolio manager are affiliates 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 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.

- (b) the arithmetic average of the closing prices of the Equity Securities of that class, on the Canadian stock exchange on which that class of Equity Securities is principally traded, for each of the trading days during
  - (i) if the calculation is made for the filing of an Initial AIF, the last calendar month of the financial year in respect of which that Initial AIF is filed, and
  - (ii) if the calculation is made for the filing of a Renewal AIF<sup>9</sup>

<sup>9</sup> An issuer that has previously filed an Initial AIF or a Renewal AIF because it was eligible to distribute its Non-Convertible debt or Non-Convertible preferred shares under section 4.3 (1) (a) is entitled, at its option, to rely on either of the time periods provided for the calculation of the market value of an issuer's Equity Securities in respect of the filing of a Renewal AIF pursuant to section 4.1(2) (b) (ii) provided it has Non-Convertible debt or Non-Convertible preferred shares with an Approved Rating outstanding at the time of the filing of its Renewal AIF.

at the option of the issuer

(A) the last calendar month of the financial year in respect of which that Renewal AIF is filed, or

(B) the last calendar month before the date of filing of that Renewal AIF.<sup>10</sup>  
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<sup>10</sup> Issuers should note that the Québec Securities Legislation does not permit calculation on the basis of the last calendar month before the date of filing of the AIF but that an issuer may apply for an exemption from the Commission des valeurs mobilières du Québec.

<sup>11</sup> An issuer that does not satisfy either of the market value requirements in section 4.1 (2) (b) (ii) for its Renewal AIF should refer to section 5.2 (2) and footnote (17) for further guidance.

The aggregate market value of the Equity Securities of the issuer shall be the aggregate of the market value of each class of its Equity Securities as calculated above.

- (3) An issuer or Selling Security Holder may make a distribution under the POP System in a Jurisdiction if:
  - (a) the issuer has a Current AIF; and

(b) at the time of the filing of a preliminary short form prospectus and the issuance of the receipt for a short form prospectus, the issuer is not in default of any requirement of the Securities Legislation of the Jurisdiction.

(4) For purposes of section 4.1(1) (a) (ii) (A), an issuer that has filed with a Jurisdiction some or all of the continuous disclosure documents contemplated in that section is not required to file those documents again in that Jurisdiction. However, an issuer that has filed only some of the continuous disclosure documents contemplated in section 4.1(1) (a) (ii) (A) in a Jurisdiction is required to file the balance of those documents in that Jurisdiction.

#### 4.2 Alternative eligibility criteria for certain substantial Canadian issuers

(1) The POP System may be used to distribute in a Jurisdiction securities of an issuer that meets all the eligibility criteria of section 4.1, except for the reporting issuer requirements of section 4.1(1)(a) provided:

(a) the issuer meets the following alternative reporting issuer requirements:

(i) the issuer is a reporting issuer under the Securities Legislation of the Jurisdiction, or

(ii) the issuer is a reporting issuer under the Securities Legislation of another Jurisdiction and

(A) the issuer files with its AIF, or has previously filed,<sup>12</sup>

<sup>12</sup> An issuer may rely on section 4.1(4) in determining its continuous disclosure document filing requirement under this section.

all continuous disclosure documents that it was required to file under the Securities Legislation and Securities Requirements of each Jurisdiction in which it is a reporting issuer, and

(B) if the issuer is not deemed to be, or designated as, a reporting issuer under the Implementation Order issued by the Jurisdiction, the issuer complies with section 4.1 (1) (a) (ii) (B) (aa) or (bb); and

(b) the issuer is incorporated, continued or organized under the laws of Canada or a province or territory of Canada and the aggregate market value of its Equity Securities, listed and posted for trading on a stock exchange in Canada, is \$300,000,000 or more.

(2) For purposes of section 4.2 (1) (b), the aggregate market value of the Equity Securities of the issuer shall be calculated in accordance with section 4.1 (2), except that the issuer may, at its option if the calculation is made for the filing of an Initial AIF, use the relevant closing prices during the last calendar month before the date of filing of its Initial AIF.

#### 4.3 Alternative eligibility criteria for certain issues of debt and preferred shares

(1) The POP System may be used to distribute in a Jurisdiction Non-Convertible debt or Non-Convertible preferred shares of an issuer that

- (a) meets all the eligibility criteria of section 4.1, except for the market value requirement of section 4.1(1)(c), provided the issuer meets the following alternative market value requirements:
- (i) at the time of the filing of its AIF, the issuer
    - (A) reasonably believes that any Non-Convertible debt or Non-Convertible preferred shares that it may issue will receive an Approved Rating, on a provisional basis, from at least one Approved Rating Organization, and
    - (B) reasonably believes that any Non-Convertible debt or Non-Convertible preferred shares that it may issue will not receive a rating lower than an Approved Rating from any Approved Rating Organization, and
  - (ii) at the time of the filing of the preliminary short form prospectus, the securities to be issued
    - (A) have received an Approved Rating, on a provisional basis, from at least one Approved Rating Organization, and
    - (B) have not received a provisional or final rating lower than an Approved Rating from any Approved Rating Organization,

except where the distribution is made under NPS 44 in which case the requirements of that policy statement apply; or

- (b) does not meet the eligibility criteria of section 4.1 provided:
- (i) an issuer that meets the eligibility criteria of sections 4.1(1)(a) and (b) and 4.1(3)(a), section 4.2, or section 4.3(1)(a) fully and unconditionally guarantees<sup>13</sup>

<sup>13</sup> In this context, the Securities Regulatory Authorities take the position that an issuer that fully and unconditionally guarantees payment of securities is not, simply by providing that guarantee, issuing a security.

payment

- (A) where preferred shares are to be distributed, of
  - (aa) any dividend, whether declared or not, that is expected to be paid at fixed intervals and in a fixed amount or in an amount to be determined by formula, or
  - (bb) a fixed amount in relation to any capital amount expected by the terms of the securities to be repaid in the event of redemption or liquidation, dissolution or winding up, or
- (B) where debt is to be distributed, of the principal of or premium, if any, or interest on the securities being distributed, together with any other amounts that may be due under
  - (aa) any provisions of the trust agreement or other agreement relating to the securities to be distributed, or

- (bb) the provisions of the securities to be distributed;
        - within 15 days from any Failure Date,
  - (ii) at the time of the filing of the preliminary short form prospectus, the guarantor
    - (A) is not in default of any requirement of the Securities Legislation of the Jurisdiction, and
    - (B) has issued and outstanding Non-Convertible debt or Non-Convertible preferred shares that
      - (aa) have received an Approved Rating from at least one Approved Rating Organization, and
      - (bb) have not received a rating lower than an Approved Rating from any Approved Rating Organization, and
  - (iii) at the time of the filing of the preliminary short form prospectus, the securities to be issued
    - (A) have received an Approved Rating, on a provisional basis, from at least one Approved Rating Organization, and
    - (B) have not received a provisional or final rating lower than an Approved Rating from any Approved Rating Organization,
      - except where the distribution is made under NPS 44 in which case the requirements of that policy statement apply;
- (2) The POP System may also be used to distribute in a Jurisdiction Convertible debt or Convertible preferred shares of an issuer that does not meet the eligibility criteria of section 4.1 provided:
- (a) the debt or the preferred shares are Convertible into securities that could be issued under section 4.1 or 4.2 concurrently with the Convertible debt or Convertible preferred shares;
  - (b) the issuer of the underlying securities described in (a) above fully and unconditionally guarantees payment of the Convertible debt or Convertible preferred shares in accordance with section 4.3 (1) (b) (i); and
  - (c) at the time of the filing of the preliminary short form prospectus, the conditions set out in section 4.3 (1) (b) (ii) and (iii) are met.
- 4.4 Eligibility criteria for Reorganizations - A Successor Issuer may distribute securities in a Jurisdiction under the POP System if the Successor Issuer meets all the eligibility requirements of section 4.1 in that Jurisdiction. The Successor Issuer shall be considered to have met the following eligibility requirements of section 4.1 in a Jurisdiction if:
- (1) in the case of the reporting issuer requirements of section 4.1(1)(a),
    - (a) prior to the Reorganization, at least one of the Participants that satisfied the reporting issuer requirements in section 4.1 (1) (a) also satisfied the market value requirements in section 4.1 (1) (c), and

- (b) at the time of the Reorganization, none of the Participants was in default of any requirement of the Securities Legislation of that Jurisdiction;
- (2) in the case of the market value requirement of section 4.1 (1) (c), the calculation is made on the basis of the relevant closing prices for each of the 10 trading days prior to the filing of the AIF referred to in paragraph (3) below; and
- (3) in the case of the requirement to have a Current AIF pursuant to section 4.1 (3) (a), the Successor Issuer files an AIF in the Jurisdiction promptly after the Reorganization; this AIF shall be subject to the review procedures referred to in section 5.1<sup>14</sup>

<sup>14</sup> In the past, a number of issuers were granted waivers from the requirements of section 4.4(3) in certain circumstances. The Securities Regulatory

Authorities do not expect that waivers will be required under this Policy Statement because the definition of Reorganization now excludes the circumstances that gave rise to waivers in the past..

4.5 Waiver procedure - The procedure to obtain a waiver of any provision of this part in more than one Jurisdiction is as follows:

- (1) the applicant shall file an application in writing simultaneously<sup>15</sup>

<sup>15</sup> The Securities Regulatory Authorities will apply strictly the procedure set out in section 4.5. Where an issuer does not file its application

simultaneously in all Jurisdictions in which it requires a waiver or where the issuer has pre-filing discussions with one Jurisdiction before filing its

application in all Jurisdictions, all of the Securities Regulatory Authorities may not be able to issue a waiver on a timely basis.

in all Jurisdictions where it requires a waiver;

- (2) the application shall set out in detail the reasons for the application, the precedents<sup>16</sup>

<sup>16</sup> Issuers should not expect to be able to rely on orders or rulings granted under the provisions governing the prompt offering qualification system in a Jurisdiction prior to the date of publication of this Policy Statement as precedents in determining whether discretionary relief will be granted from the provisions of this Policy Statement in their particular circumstances.

relied upon and the relief sought and shall indicate the name of the Principal Jurisdiction selected by the applicant and of each other Jurisdiction where the application is being filed;

- (3) the Applicable Regulator of the Principal Jurisdiction may grant a waiver upon the terms and conditions that are deemed appropriate in the circumstances having regard for any comments raised by the other Jurisdictions; a document to that effect shall be issued by the Principal Jurisdiction and sent to the applicant with a copy to the Applicable Regulator in each of the other Jurisdictions where the application was filed; and
- (4) each of the other Jurisdictions may grant a waiver upon the terms and conditions that it deems appropriate in the circumstances having the benefit of the decision of the Principal Jurisdiction.

5.1 Initial AIF review procedures - An issuer may at any time file an Initial AIF in one or more Jurisdictions in which it satisfies the applicable eligibility criteria of part 4. An Initial AIF and supporting documents filed in more than one Jurisdiction shall be subject to the AIF review procedures contained in part 1 of NPS 1. An Initial AIF filed in only one Jurisdiction shall be subject to the provisions of the AIF review procedures applicable to the Principal Jurisdiction contained in part 1 of NPS 1. An Initial AIF shall be subject to acceptance for filing in each Jurisdiction in which it is filed with such alterations or additions, if any, as may be necessary to comply with the requirements of this Policy Statement. If revisions to an issuer's Initial AIF are necessary as a result of this review, the issuer shall file a Revised AIF, identified as such, in all Jurisdictions in which the Initial AIF has been filed. The Applicable Regulator of each relevant Jurisdiction shall forward to the issuer a written notice of acceptance of its Initial AIF or Revised AIF, as the case may be.

5.2 Renewal AIF review procedures

(1) To comply with the requirement of section 4.1(3)(a), an issuer that has filed an Initial AIF that has been accepted for filing pursuant to section 5.1 or a Renewal AIF must thereafter, within 140 days from the end of each financial year, file a Renewal AIF and supporting documents in each Jurisdiction in which it wishes to remain eligible to participate in the POP System. The Applicable Regulator in each relevant Jurisdiction shall immediately accept for filing a Renewal AIF filed in accordance with this section and shall forward to the issuer a written notice of acceptance for filing of its Renewal AIF. The Applicable Regulator of any Jurisdiction may delegate the authority to accept a Renewal AIF to a member of the staff of that Applicable Regulator.

(2) Where an issuer does not satisfy the relevant market value requirement during either of the calendar months contemplated in section 4.1(2)(b)(ii), the issuer may remain eligible to participate in the POP System if it

- (a) files its Renewal AIF and all supporting documents, except for the certificate of eligibility described in section 5.3 (2), within the 140 day period referred to in section 5.2 (1),
- (b) satisfies the relevant market value requirement during any calendar month before the end of the financial year in which its Renewal AIF is filed, and
- (c) files the eligibility certificate referred to in (a) above promptly upon satisfying the market value requirement described in (b) above.

In these circumstances, a Renewal AIF shall be subject to the review procedures referred to in section 5.1; however, it will not be accepted for filing in accordance with that section until the eligibility certificate referred to in (c) above is filed.<sup>17</sup>

<sup>17</sup> Issuers are cautioned that the Securities Regulatory Authorities will not issue a receipt for a preliminary short form prospectus or short form prospectus before all the conditions set out in section 5.2(2) are satisfied. Furthermore, where an issuer does not satisfy either of the conditions set out in section 5.2(2)(b) or (c), the Securities Regulatory Authorities will consider that the issuer has ceased to participate in the POP System; thereafter, the issuer will only become eligible to participate in the POP System again if it satisfies the applicable eligibility criteria of part 4 and files an Initial AIF under section 5.1.

(3) Where a Renewal AIF and supporting documents are filed

- (a) after the 140 day period referred to in section 5.2(1) or (2) and before the end of the financial year in which that 140 day period expires, or

(b) in respect of a financial year in which an offeror made a take-over bid that was material<sup>18</sup>

<sup>18</sup> The discussion of the concept of materiality set out in paragraph (2) of item 13 of Appendix B applies with necessary changes in this context.

to the offeror<sup>19</sup>

<sup>19</sup> For greater certainty, where an issuer files a renewal AIF under section 5.2(3)(b), the issuer should indicate in its covering letter that a take-over bid that was material to the issuer has occurred.,

the Renewal AIF shall be subject to the review procedures referred to in section 5.1.<sup>20</sup>

<sup>20</sup> Issuers are cautioned that the Securities Regulatory Authorities will not issue a receipt for a preliminary short form prospectus or short form prospectus until the Renewal AIF referred to in section 5.2(3) has been accepted for filing in their Jurisdiction. Furthermore, where an issuer does not file an AIF before the end of the financial year referred to in section 5.2(3)(a), the Securities Regulatory Authorities will consider that the issuer has ceased to participate in the POP System; thereafter, the issuer will only become eligible to participate in the POP System again if it satisfies the applicable eligibility criteria of part 4 and files an Initial AIF under section 5.1.

- (4) An issuer wishing to participate in the POP System in one or more additional Jurisdictions other than the one or ones in which it has already filed an Initial AIF that has been accepted for filing under this Policy Statement may file its Renewal AIF, concurrently, or its Current AIF, at any time, together with supporting documents in each of those additional Jurisdictions provided the issuer satisfies the applicable eligibility criteria of part 4 and notifies all the Jurisdictions in which it has already filed its Initial AIF. A Renewal AIF or Current AIF filed in additional Jurisdictions shall be subject to the review procedures referred to in section 5.1.
- (5) When filing its Renewal AIF, the issuer shall advise each of the Jurisdictions in which the Renewal AIF is filed of the name of each other Jurisdiction in which its Renewal AIF is being filed.
- (6) Subject to sections 5.2(7) and 5.2(8), an issuer's Renewal AIF is subject to selective review by the Securities Regulatory Authority of any Jurisdiction in which it is filed at any time after it is selected for review and before a receipt is issued for a short form prospectus incorporating by reference the Renewal AIF; where an issuer's Renewal AIF is selected for review by a Jurisdiction, the following procedure shall apply:
  - (a) the Applicable Regulator of any Jurisdiction reviewing the issuer's Renewal AIF shall forward, within 10 days of the date of filing of the Renewal AIF in that Jurisdiction, by facsimile, a notice to the issuer and to the Applicable Regulator in the other Jurisdictions in which the Renewal AIF was filed stating that the issuer's Renewal AIF will be reviewed;
  - (b) the Applicable Regulator of any other Jurisdiction wishing to conduct its own review of the issuer's Renewal AIF shall, within 5 days of receipt of the notice referred to in (a) above, forward by facsimile a similar notice to the issuer and to the Applicable Regulator of the other Jurisdictions in which the issuer's Renewal AIF was filed;
  - (c) during any review period, all copies of the Renewal AIF provided to any Person by the issuer shall have in bold face type<sup>21</sup>

<sup>21</sup> The statement required to be in bold face type on the outside front cover page of an issuer's Renewal AIF during a review period may be added by way of a stamp, sticker or other method that will ensure that the statement may not be deleted or removed from the issuer's Renewal AIF.

on the outside front cover page the following statement or any variation that the Applicable Regulator of the issuer's Principal Jurisdiction may permit:

"This annual information form has been accepted for filing in [insert name of each Jurisdiction in which Renewal AIF has been filed] but is currently subject to review by the securities regulatory authorities of one or more provinces or territories of Canada. Information contained herein is subject to change.";

- (d) any Jurisdiction reviewing the issuer's Renewal AIF shall forward, by facsimile, its comments to the issuer with a copy to all other Jurisdictions reviewing the Issuer's Renewal AIF;
  - (e) the issuer shall provide any Jurisdiction reviewing the issuer's Renewal AIF with a written response to its comments and shall send a copy of its response to all the other Jurisdictions reviewing the issuer's Renewal AIF;
  - (f) as soon as practicable after completion of any review, or upon the issuer filing a Revised AIF, if necessary, the Applicable Regulator of a Jurisdiction reviewing the issuer's Renewal AIF shall issue a document stating that the review is completed and that either the Renewal AIF as filed or the Revised AIF, if any, is satisfactory to the Applicable Regulator of that Jurisdiction; this document shall be sent to the issuer with a copy to the Applicable Regulator in each of the other Jurisdictions in which the Renewal AIF was filed;
  - (g) upon receipt of the document referred to in (f) above from all Jurisdictions reviewing the issuer's Renewal AIF, the issuer shall promptly
    - (i) if revisions were necessary, file the Revised AIF with the other Jurisdictions in which the Renewal AIF was filed and forward a copy of the Revised AIF to any Person who received a legended Renewal AIF pursuant to (c) above, and
    - (ii) if revisions were not necessary, forward a notice that the review of the Renewal AIF is completed and that no revisions were necessary to any Person who received a legended Renewal AIF pursuant to (c) above;
  - (h) if a Revised AIF is filed, it shall be identified as such; and
  - (i) an issuer shall not be entitled to a receipt for a final prospectus under the POP system until the issuer notifies each Jurisdiction in which its Renewal AIF was filed that a Revised AIF, if any, has been filed with all the Jurisdictions in which its Renewal AIF was filed.
- (7) If, after the Applicable Regulator of a Jurisdiction notifies an issuer that its Renewal AIF will be reviewed under section 5.2 (6) (a) or (b) and before the document referred to in section 5.2 (6) (f) is issued, the issuer files a preliminary short form prospectus, both the issuer's preliminary short form prospectus and its Renewal AIF shall be reviewed at the same time in accordance with the time limits applicable to the review of a short form prospectus contained in part 2 or 3 of NPS 1; in that case, 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 and the document referred to

in section 5.2 (6) (f) must be issued prior to, or concurrently with, the issuance of the receipt for the short form prospectus. This procedure is also available for a renewal AIF filed under section 5.2 (3) (b).

- (8) If an issuer intends to file a preliminary short form prospectus in one or more Jurisdictions within the time period available for the Applicable Regulator of a Jurisdiction to notify the issuer that it intends to review the issuer's Renewal AIF under section 5.2 (6) (a) or (b), the issuer shall, at the time of filing its Renewal AIF if its decision to file a preliminary short form prospectus has already been made or, if not, immediately upon making that decision, notify the Applicable Regulator in each Jurisdiction in which it is filing or has filed its Renewal AIF of its intention to file a preliminary short form prospectus; each

Applicable Regulator who receives this notice shall as soon as practicable notify, by facsimile, the issuer and the Applicable Regulator in all the other Jurisdictions if it intends to review the issuer's Renewal AIF; in this case, the issuer's preliminary short form prospectus and its Renewal AIF shall be reviewed within the time limits referred to in section 5.2 (7) and the issuance of the receipt for the short form prospectus shall be subject to the same condition as set out in that section.<sup>22</sup> This procedure is also available for a renewal AIF filed under section 5.2(3)(b).

<sup>22</sup> The accelerated review procedure contemplated by this paragraph will not be extended to issuers if the Securities Regulatory Authorities consider that an issuer is abusing the provision. For example, the Securities Regulatory Authorities will consider it abusive if an issuer, on more than one occasion, requests expedited review and no short form prospectus is filed.

### 5.3 Supporting documents

- (1) Each AIF filed under this Policy Statement or under the Securities Legislation and Securities Requirements of the Province of Québec shall be submitted in the number of copies specified for each Jurisdiction in the "Table of Documents to be filed in respect of the Clearance of National Issues" forming part of NPS 1 and shall be accompanied by the supporting documents in the number of copies indicated in that table. Where an annual report on Form 10-K or 20-F is filed under section 5.4 in lieu of an AIF, an issuer shall be deemed to have met the requirement to file a certified copy of the resolution(s) of the directors of the issuer approving the AIF if an original or a certified copy of a document evidencing approval of the Form 10-K or 20-F, in a form acceptable to the Applicable Regulator of the issuer's Principal Jurisdiction, is filed.
- (2) The certificate of eligibility filed with an AIF shall be executed on behalf of the issuer by one of its senior officers and shall state that the issuer satisfies:
- (a) the requirements in section 4.1 (1) (a) and (b) and the requirements in section 4.1 (1) (c) or section 4.3 (1) (a) (i), or
  - (b) the requirements in sections 4.1 (1) (b) and 4.2 (1) (a) and (b).
- (3) No solicitor's, auditor's,<sup>23</sup>

<sup>23</sup> There is no regulatory requirement for auditor involvement with respect to the preparation of an AIF. However, reporting issuers may choose to involve their auditors. The auditing profession's standards may require limited auditor involvement in certain circumstances. In addition, in order to be able to provide the necessary consent letter on a short form prospectus, an auditor will be required to comply with the requirements of the CICA Handbook and the Securities Legislation of the Jurisdictions in which the AIF is filed.

accountant's, engineer's, appraiser's or other consent is required when an AIF is filed pursuant to this Policy Statement. They will be required with a short form prospectus in accordance with section 6.3(3).

- 5.4 Alternative form of AIF - An issuer that has securities registered with the SEC may satisfy the requirement for filing an AIF by filing a current annual report on Form 10-K or on Form 20-F filed with the SEC pursuant to the 1934 Act provided, in the case of a Canadian issuer filing a current annual report on Form 20-F, where a disclosure requirement of the Form 20-F refers to a requirement of the issuer's home country, Canadian disclosure requirements shall apply. Issuers filing Forms 10-K or 20-F shall also file a document cross-referencing the Form 10-K or 20-F disclosure to the items of the Contents of AIF in Appendix A. Canadian issuers filing Forms 10-K or 20-F shall file the relevant form within the earlier of the time periods required by this policy statement and by the 1934 Act. Foreign issuers filing Forms 10-K or Forms 20-F shall file the relevant form within the time period required by the 1934 Act.<sup>24</sup>

<sup>24</sup> Foreign issuers should refer to the Securities Legislation of each Jurisdiction for the provisions relating to the reconciliation of financial statements to Canadian GAAP in a prospectus. These provisions apply to a preliminary short form prospectus and a short form prospectus whether or not the foreign issuer is satisfying the requirement for filing an AIF by filing a current annual report on Form 10-K or on Form 20-F filed with the SEC pursuant to the 1934 Act. The issuer may include the reconciliation of its financial statements to Canadian GAAP in the notes to its financial statements or in its short form prospectus. Where an issuer does not include this information in the notes to its financial statements, the issuer shall provide the information or discussion required in footnotes (36) and (37) in its short form prospectus.

## **PART 6            SHORT FORM PROSPECTUS**

### **6.1        Form of prospectus and disclosure requirements**

- (1) In any Jurisdiction in which it satisfies the applicable eligibility criteria of part 4, an issuer may, at its option, qualify its securities for distribution on its own behalf or on behalf of a Selling Security Holder by filing with the Securities Regulatory Authority of that Jurisdiction a short form prospectus prepared and certified in accordance with Appendix B.
- (2) Any statement contained in a document incorporated or deemed to be incorporated by reference into a short form prospectus shall be deemed to be modified or superseded, for purposes of the short form prospectus, to the extent that 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 into the short form prospectus modifies or replaces that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of the short form prospectus.

- (3) Except to the extent provided in section 6.1(2), nothing in this Policy Statement shall be construed to provide relief from liability arising under the provisions of the Securities Legislation of any Jurisdiction in which the short form prospectus is filed where 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.

- (4) This Policy Statement does not alter the requirements of the Securities Legislation of any Jurisdiction in which a distribution of securities is effected under the POP System to:
  - (a) amend a prospectus if the issuer increases the amount of securities being offered or alters the terms and conditions of the securities being offered; and
  - (b) file a new preliminary prospectus and prospectus where necessary.
- (5) Notwithstanding the provisions of item 16 of Appendix B regarding documents incorporated by reference, an amendment to a preliminary short form prospectus must be filed where a material adverse change occurs after a receipt for the preliminary short form prospectus has been issued and before the receipt for the short form prospectus is issued, and an amendment to a short form prospectus must be filed where a material change occurs after a receipt for the short form prospectus has been issued but prior to completion of the distribution under the short form prospectus. Where an amendment to a preliminary short form prospectus or short form prospectus is required to be filed, the issuer shall file a prospectus amendment, together with supporting documents, with the applicable Securities Regulatory Authorities and deliver the prospectus amendment in accordance with the applicable Securities Legislation.
- (6) An issuer is not entitled to file a confidential material change report or to maintain an already filed material change report as confidential during the distribution period of securities pursuant to a short form prospectus unless all activities related to the distribution cease until
  - (a) the material change is generally disclosed; or
  - (b) the decision to implement the material change has been rejected and the issuer has so notified the Applicable Regulator of each Jurisdiction where the confidential material change report was filed.
- (7) Subject to section 6.1(9), Non-Convertible debt or Non-Convertible preferred shares may be offered for cash at non-fixed prices provided, at the time of the filing of the preliminary short form prospectus, the securities
  - (a) have received an Approved Rating, on a provisional basis, from at least one Approved Rating Organization; and
  - (b) have not received a provisional or final rating lower than an Approved Rating from any Approved Rating Organization.
- (8) Subject to section 6.1 (9), where securities are offered for cash under a short form prospectus, the price at which these securities may be distributed may be decreased from the initial public offering price fixed in the short form prospectus and thereafter changed, from time to time, to an amount not greater than the initial public offering price, without the filing of an amendment to the short form prospectus to reflect the change, provided
  - (a) the securities to be distributed under the short form prospectus are distributed through an underwriter or underwriters that have agreed to underwrite the distribution of the securities on a firm commitment basis;
  - (b) the proceeds to be received by the issuer and/or any Selling Security Holder are fixed in the short form prospectus; and

(c) the underwriters have made a bona fide effort to sell all of the securities distributed under the short form prospectus at the initial public offering price fixed in the short form prospectus.

(9) The methods of distribution referred to in sections 6.1 (7) and 6.1 (8) may not be used for rights offerings

## 6.2 Use of short form prospectus disclosure in securities exchange take-over bid circulars

(1) Where a take-over bid provides that the consideration for the securities of the offeree issuer is to be, in whole or in part, securities of an issuer (which issuer may or may not be the offeror) that is eligible to participate in or use the POP System pursuant to sections 4.1, 4.2 or 4.3(1)(a), the offeror may comply with the take-over bid circular requirement of the Securities Legislation of a Jurisdiction to include information prescribed by the form of prospectus appropriate for the issuer whose securities are being offered in exchange for the securities of the offeree issuer, by including the information to be included in a short form prospectus under this Policy Statement in the take-over bid circular to be sent to security holders and filed in that Jurisdiction. For the purpose of this provision, any eligibility criteria that are required to be satisfied at the time of filing the preliminary short form prospectus shall be satisfied if they are met at the time of filing the take-over bid circular.

(2) Where a securities exchange take-over bid contemplated in (1) above is material<sup>25</sup>

<sup>25</sup> The discussion of the concept of materiality set out in paragraph (2) of item 13 of Appendix B applies with necessary changes in this context. Issuers should note that the Québec Securities Legislation does not limit the requirement for pro forma financial statements to those situations where the take-over bid is material to the offeror.

to the offeror, include in the take-over bid circular

(a) the pro forma financial statements required under paragraph (1)(c) and (d) of item 13 of Appendix B to which shall be attached the report referred to in paragraph (4) of that item, and

(b) the additional information required under paragraph (1)(e) and (f) of item 13 of Appendix B,

as if the references in those paragraphs to the issuer and the acquired business were references to the offeror and the offeree, respectively.

(3) The provisions of item 13 of Appendix B apply with necessary changes to a securities exchange take-over bid contemplated in (1) above where the securities exchange take-over bid would result in the offeror making the acquisition of a business and that acquisition is material<sup>26</sup>

<sup>26</sup> See paragraph (2) of item 13 of Appendix B for a discussion of the concept of materiality in the context of a business acquisition.

to the offeror.

(4) The provisions of (1) above apply with necessary changes to an issuer bid circular in respect of an issuer bid by an issuer for securities of that issuer, where the consideration for those securities is to be, in whole or in part, securities of an issuer that is eligible to participate in or use the POP System pursuant to sections 4.1, 4.2 or 4.3(1)(a).

### 6.3 Filing procedures for short form prospectus

- (1) A preliminary short form prospectus and short form prospectus and supporting documents filed in
  - (a) only one Jurisdiction, shall be subject to the relevant provisions of the short form prospectus review procedures contained in part 2 of NPS 1, or
  - (b) more than one Jurisdiction, shall be subject to the short form prospectus review procedures contained in part 2 or 3 of NPS 1,

except in the circumstances described in section 9.3(2).<sup>27</sup>

<sup>27</sup> Where the Securities Legislation of a Jurisdiction 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 Implementation Order provides an exemption from that requirement.

- (2) Each preliminary short form prospectus and short form prospectus filed under this Policy Statement or under the Securities Legislation and Securities Requirements of the Province of Québec shall be submitted in the number of copies specified for each Jurisdiction in the "Table of Documents to be filed in respect of the Clearance of National Issues" forming part of NPS 1 and shall be accompanied by the supporting documents in the number of copies indicated in that table.
- (3) Where any solicitor, auditor, accountant, engineer, appraiser or any other Person whose profession gives authority to a statement made by that Person is named
  - (a) in a short form prospectus or a document specifically incorporated by reference in a short form prospectus as having prepared or certified any part of that document, or
  - (b) as having prepared or certified a report or valuation used in a short form prospectus or in a document specifically incorporated by reference into a short form prospectus,

the written consent of the Person to being so named and to that use of the report or valuation shall be filed no later than the time the short form prospectus is filed. In the Jurisdictions where specific provisions as to consent exist in the Securities Legislation, those provisions shall apply with necessary changes to the consent as if it were required to be filed pursuant to those specific provisions.<sup>28</sup>

<sup>28</sup> Although the disclosure in a preliminary short form prospectus or short form prospectus of a rating in compliance with paragraph (5) of item 10 of Appendix B is expertized information, each Jurisdiction has taken steps, where necessary, to waive the requirement for an Approved Rating Organization to file a consent in connection with this disclosure requirement.

- (4) Where financial statements included or incorporated by reference in a short form prospectus relate to any part of an issuer's financial year subsequent to the ending date of its last audited financial year, the issuer shall file an auditors' comfort letter in accordance with the requirements of the Securities Legislation of the Jurisdiction in which the short form prospectus is being filed.
- (5) Where a preliminary short form prospectus is filed in respect of a proposed distribution of preferred shares or debt having a term to maturity in excess of one year, the issuer, on its own behalf or on behalf of a Selling Security Holder, shall file with the preliminary short form prospectus an explanation of the manner by which the asset and earnings coverage ratios are calculated.

(6) If an issuer files a preliminary short form prospectus or a short form prospectus subsequent to its directors having approved the comparative audited annual financial statements for its last completed financial year but prior to these comparative audited annual financial statements having been filed by the issuer pursuant to the continuous disclosure requirements of the Securities Legislation in the Jurisdictions in which the preliminary short form prospectus or short form prospectus is filed, the issuer will be required to:

- (a) issue and file a press release summarizing or setting out the comparative audited annual financial statements,
- (b) file the comparative audited annual financial statements<sup>29</sup>

<sup>29</sup> An issuer required to file its comparative audited annual financial statements under this paragraph is not required to comply with the requirements of the Securities Legislation of a Jurisdiction to send these statements concurrently to holders of its securities and, in British Columbia, to file written confirmation of having sent these statements, provided the financial statements are sent within the time periods and in accordance with all the other provisions otherwise contemplated by the continuous disclosure requirements of the Securities Legislation of each Jurisdiction for the filing and sending of an issuer's comparative audited annual financial statements and the filing of the written confirmation of sending in British Columbia.

pursuant to the continuous disclosure requirements regarding annual financial statements of the Securities Legislation in the Jurisdictions in which the preliminary short form prospectus or short form prospectus is filed, and

- (c) incorporate by reference in the preliminary short form prospectus and short form prospectus the comparative audited annual financial statements,

before a receipt will be issued for its preliminary short form prospectus or short form prospectus.<sup>30</sup>

<sup>30</sup> Issuers are reminded of their obligation to disclose all material facts relating to the securities to be distributed. For example, where there have been significant variations in an issuer's financial results, the issuer is expected to discuss the variations in its prospectus.

(7) If an issuer files a short form prospectus prior to its directors having approved the comparative audited annual financial statements for its last completed financial year, the issuer may rely upon the interim financial statements for the third quarter of that financial year provided the issuer is in compliance with the continuous disclosure requirements of the Securities Legislation in each of the Jurisdictions in which the short form prospectus is filed.<sup>31</sup>

<sup>31</sup> Issuers are reminded of their obligation to disclose all material facts relating to the securities to be distributed.

(8) The receipt for a short form prospectus relating to securities underwritten on a firm commitment basis, other than securities to be distributed continuously, will not be issued unless the short form prospectus indicates that the securities are to be taken up by the underwriter, if at all, on or before a date not later than six weeks after the date of the final receipt.<sup>32</sup>

<sup>32</sup> Where the 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 this Policy Statement, each Jurisdiction has taken appropriate steps to implement the requirement of the Policy Statement.

- (9) Where a minimum amount of funds are required by an issuer, the receipt for a short form prospectus relating to securities proposed to be distributed on a best efforts basis, other than securities to be distributed continuously, will not be issued unless the short form prospectus indicates that the offering will cease if the minimum amount of funds is not subscribed within ninety days.<sup>33</sup>

<sup>33</sup> Where the Securities Legislation in a Jurisdiction requires that an offering may not continue for more than a specified period if the minimum amount of funds are not subscribed within that period and the specified period is different than the period provided under this Policy Statement, each Jurisdiction has taken appropriate steps to implement the requirement of the Policy Statement.

## **PART 7            DISCRETIONARY POWERS**

- 7.1     AIF - Notwithstanding that an issuer may satisfy the applicable eligibility criteria of part 4, the Applicable Regulator in any Jurisdiction where the issuer satisfies those criteria may, after the issuer has filed its Initial AIF, advise the issuer and all other Jurisdictions that it will not accept the Initial AIF for filing pursuant to this Policy Statement. In this case, the Applicable Regulator will provide reasons for its decision and an opportunity for the issuer to be heard.

- 7.2     Short form prospectus - Notwithstanding that an issuer has received notice that its AIF was accepted for filing as contemplated in section 5.1 or 5.2(1) or (2), the Applicable Regulator in any Jurisdiction where the AIF has been so accepted may advise the issuer and all other Jurisdictions that it will not issue a receipt for a short form prospectus that subsequently may be filed by the issuer, on its own behalf or on behalf of a Selling Security Holder, pursuant to this Policy Statement<sup>34</sup>

<sup>34</sup> This provision does not in any way restrict the ability of the Applicable Regulator, under the provisions of the Securities Legislation of a Jurisdiction, to exercise its discretion not to issue a receipt in respect of a prospectus that has been filed with the Securities Regulatory Authority of that Jurisdiction. .

This notification shall include the reasons that appear to the Applicable Regulator to constitute a basis under the Securities Legislation of its Jurisdiction for a refusal to issue a receipt for a short form prospectus and shall provide, in accordance with the applicable provisions of the Securities Legislation or otherwise, an opportunity for the issuer to be heard.

- 7.3     Relief without filing a formal application - Where an issuer anticipates not being in a position to comply with one or more of the provisions of this Policy Statement, other than the provisions of part 4 in respect of which a formal application must be made and a waiver issued pursuant to section 4.5, the issuer shall at or prior to the time of filing a preliminary short form prospectus so notify in writing the Applicable Regulator in each Jurisdiction in which the preliminary short form prospectus is to be filed<sup>35</sup>

<sup>35</sup> The Securities Legislation and Securities Requirements of the Province of Québec require that a formal application for exemption be filed in all cases where an issuer does not anticipate complying with the requirements of the Securities Legislation and Securities Requirements of that Jurisdiction relating to the simplified prospectus procedure.

providing the reasons why the applicable Securities Regulatory Authority should grant relief. Relief shall be deemed to have been granted if a receipt in respect of the short form prospectus is issued.

## **PART 8 INFORMATION CIRCULAR**

Any information circular required to be delivered to security holders with respect to an issuer that has a Current AIF filed with the Securities Regulatory Authorities pursuant to this Policy Statement must contain a statement describing the availability of the documents referred to in paragraph (1)(b) of item 8 in Appendix A.

## **PART 9 GENERAL PROVISIONS**

9.1 Effective date - Compliance with this Policy Statement will be required for

- (a) Renewal AIFs filed for financial years ended on or after December 31, 1992;
- (b) Initial AIFs filed on or after March 1, 1993; and
- (c) preliminary short form prospectuses filed on or after March 1, 1993.

Issuers may elect to file the documents referred to in paragraphs (a), (b) or (c) earlier than for the periods or on the dates specified in those paragraphs.

9.2 Transition

- (1) For purposes of section 9.1(a), an issuer's first AIF filed in a Jurisdiction under this Policy Statement is a Renewal AIF, where the issuer has filed an annual information form that has been accepted for filing under the prompt offering qualification system of that Jurisdiction in respect of the financial year immediately preceding the financial year in respect of which the first AIF is filed under this Policy Statement.
- (2) Prior to filing its first AIF under section 9.1(a), an issuer shall be entitled to use as its Current AIF in a Jurisdiction the annual information form that has been accepted for filing under the prompt offering qualification system of that Jurisdiction for the financial year immediately preceding the financial year applicable to it under section 9.1(a).
- (3) An issuer that, prior to the time compliance with this Policy Statement is required or prior to the issuer voluntarily complying with this Policy Statement, was eligible to participate in the prompt offering qualification system in a Jurisdiction pursuant to an exemption, ruling, order, decision or other action of the Applicable Regulator of the Jurisdiction is eligible to use the POP System in that Jurisdiction in reliance on that waiver after compliance with this Policy Statement is required or voluntarily undertaken, unless otherwise stated in the exemption, ruling, order, decision or other action of the Applicable Regulator.

9.3 Application of other policy statements

- (1) Unless inconsistent, the applicable provisions of national and local policy statements in a Jurisdiction apply to the issuance of securities by way of a short form prospectus in that Jurisdiction. In addition, certain provisions of the Securities Legislation or Securities Requirements in effect in one or more Jurisdictions may be repeated in this Policy Statement because they are not found in the provisions of the Securities Legislation or Securities Requirements of one or more other Jurisdictions.
- (2) A distribution of derivative securities by an issuer under a short form prospectus shall be subject to the review procedures contained in part 1 of NPS 1 until specific review procedures for the distribution of derivative securities are included in other Securities Requirements. Issuers who are uncertain as to whether securities that they propose to issue are derivative securities should

consult with the Applicable Regulator in each Jurisdiction in which they propose to issue those securities.

## **NATIONAL POLICY STATEMENT NO. 47**

### **APPENDIX A**

#### **AIF**

#### **GUIDELINES**

- (1) The AIF is intended to provide relevant background material essential to a proper understanding of the nature of the issuer, its operations, and prospects for the future.
- (2) The focus of the AIF disclosure shall be on the issuer. There is no requirement to provide extensive discussion of factors external to the issuer.
- (3) Issuers are required to disclose information that is material. Materiality is a matter of judgement in particular circumstances, and should generally be determined in relation to an item's significance to investors, analysts and other users of the 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 a decision with respect to the issuer. In determining whether information is material, an issuer shall take into account both quantitative and qualitative factors. While this concept of materiality is broader than the definition of "material change" contained in the Securities Legislation of any Jurisdiction, it is consistent with the financial reporting notion of materiality contained in the CICA Handbook.
- (4) Issuers are required to discuss certain forward-looking information. A disclosure duty exists where a trend, commitment, event or uncertainty is both presently known to management and reasonably expected to have a material impact on the issuer's business, financial condition or results of operations. A discussion of forward-looking information based on the issuer's expectations as of the date of the AIF is required.
- (5) Issuers are encouraged, but not required, to supply other forward-looking information. Optional forward-looking disclosure involves anticipating a future trend or event or anticipating a less predictable impact of a known event, trend or uncertainty. This other forward-looking information is to be distinguished from presently known information that is reasonably expected to have a material impact on future operating results, such as known future increases in costs of labour or materials, which information is required to be disclosed.
- (6) Although information provided in the AIF may involve some discussion or disclosure of forward looking information, these provisions do not call for a forecast or projection as defined in the CICA Handbook. In the event that an issuer chooses to provide a forecast or projection, National Policy Statement No. 48 must be complied with.

#### **INSTRUCTIONS**

- (1) Any information required in the AIF may be incorporated by reference in the AIF. Where information is incorporated by reference in an AIF, the referenced document shall be clearly identified and the information incorporated by reference shall be identified by page, caption, paragraph or otherwise.

- (2) The AIF shall be dated no earlier than the date of the auditor's report on the annual financial year covered by the AIF and all disclosures in, or incorporated by reference in, the AIF shall be no later than that date. The date of the AIF shall appear on the cover page of the document.
- (3) Unless otherwise specified, information in an Initial AIF shall be presented
  - (a) as at the end of the issuer's most recently completed financial year, provided the issuer met the market value requirement described in section 4.1 (2) (b) (i) during the last calendar month of that year;
  - (b) in the case of an issuer referred to in section 4.2, as at the end of the most recently completed financial year of the issuer whether or not the issuer met the market value requirement during the last calendar month of that year; or
  - (c) in the case of an issuer referred to in section 4.3 (1) (a), as at the end of the most recently completed financial year of the issuer even though the issuer is not required to meet any market value requirement under this Policy Statement. Unless otherwise specified, information in a Renewal AIF shall be presented as at the end of the most recently completed financial year of the issuer. Where material events or conditions arise prior to the date of the AIF this information shall be included in the AIF.
- (4) The segmented information required in item 3 of this Appendix goes beyond the requirements of the CICA Handbook. However, the required information is predicated on the CICA disclosure framework.
- (5) All references to the issuer in items 2 to 5 of this Appendix shall be to the issuer, its subsidiaries and Investees.

## **CONTENTS OF AIF**

### **Item 1: Incorporation**

- (1) State the full corporate name of the issuer and the statute under which the issuer is incorporated, continued or organized. State whether the articles or other constating documents of the issuer have been amended and describe the substance of the amendments.
- (2) Provide a list of each subsidiary of the issuer as of the most recent financial year end, indicating the place of incorporation, continuance, or organization and stating separately the percentage of voting securities beneficially owned or over which control or direction is exercised, by the issuer. Also disclose the percentage of each class of non-voting securities owned. The list of subsidiaries may exclude any subsidiary of an issuer whose total assets do not constitute more than 10% of the consolidated assets of the issuer at the most recent financial year end and whose total revenues do not constitute more than 10% of the consolidated revenues of the issuer for the most recently completed financial year, provided the excluded subsidiaries, in the aggregate, represent less than 30% of total consolidated assets and total consolidated revenues of the issuer.

### **Item 2: General Development of the Business**

Briefly describe the business of the issuer. This description shall encompass the general development of the business of the issuer over the last five years. This discussion shall include only major events or conditions that have influenced the general development of the business. Changes in the business that are expected shall also be discussed.

**Item 3: Narrative Description of the Business**

- (1) Describe the business with reference to the dominant industry segment of the issuer or each reportable industry segment of the issuer. The description shall focus upon reportable industry segments as defined in the CICA Handbook and the issuer's business in general. The disclosure for each industry segment of the issuer shall include the following information:
- (a) with respect to principal products or services:
    - (i) a description of the principal products or services, the methods of distribution of these products or services, and their principal markets; and
    - (ii) for each of the last two completed financial years, the revenues for each category of principal products or services which accounts for 15% or more of total consolidated revenues for all segments for the applicable financial year, as dollar amounts or as percentages, derived from:
      - (A) sales to customers outside the consolidated entity, and
      - (B) sales or transfers to Investees
- (see Schedule 1 to this Appendix for suggested format for presenting this segmented information);
- (b) when sales made to or income received from one customer (by one or more segments) amount, in the aggregate, to 10% or more of consolidated revenues in either of the last two completed financial years, the number of such customers and the aggregate percentage of sales to or income from those customers; where it is known that a group of customers is under common control, the group shall be considered one customer;
  - (c) where more than 40% of an industry segment's sales are made to a geographic segment in either of the last two completed financial years, the geographic segment and the percentage of the industry segment's sales made to that geographic segment;
  - (d) when there has been a public announcement of the introduction of a new product or industry segment, the status of the product or segment;
  - (e) the sources and availability of raw materials;
  - (f) a description, including the importance, duration and effect on the segment, of identifiable intangible properties such as brand names, circulation, copyrights, franchises, licences, patents, software, subscription lists, and trademarks;
  - (g) the extent to which the business of the industry segment is seasonal;
  - (h) a description of any aspect of the issuer's business that may be affected in the current financial year by renegotiation or termination of contracts or sub-contracts;
  - (i) with respect to the natural resource operations of an issuer, other than oil and gas operations:
    - (i) the location, size and net interest in important properties and the nature of the right to hold or operate the properties as at the most recent financial year end,

- (ii) reserves by deposit, identified as either in situ or mineable, and by category reporting proven, probable and possible reserves as at the most recent financial year end,
  - (iii) a reconciliation of reserves by category as at the financial year end immediately preceding the most recently completed financial year to the information furnished under (ii) above, including the effects of production, acquisition, discoveries, etc., and
  - (iv) the dollar amounts expended on exploration and development in the last two completed financial years;
- (j) with respect to the oil and gas operations of an issuer:
- (i) the number of wells the issuer has drilled or participated in, the number of these wells completed as oil wells and gas wells capable of production, and the number of dry holes expressed in each case as gross and net wells, during each of the last two financial years of the issuer,
  - (ii) important oil and gas properties, plants, facilities and installations owned, leased or held under option as at the most recent financial year end,
  - (iii) the location by province or state if in Canada or the United States and by country otherwise, of important producing wells and non-unitized wells capable of producing in which the issuer had an interest as at the most recent financial year end, with the interest expressed in terms of net wells, separately for oil wells and gas wells,
  - (iv) with respect to interests in properties on which there are no current reserves, the gross acreage in which the issuer has an interest as at the most recent financial year end and the issuer's net interest in the acreage and the geographical location of that acreage,
  - (v) the quantity and type of the estimated proved and developed reserves, and proved and undeveloped reserves on both a gross and net basis of crude oil, natural gas and natural gas liquids as at the most recent financial year end; where royalty rates are subject to noticeable variation, provide a brief discussion of these variations,
  - (vi) a reconciliation of the reserves as at the financial year end immediately preceding the most recent financial year to the reserve information furnished under (v) above, including the effects of production, acquisitions, discoveries, etc., and
  - (vii) the dollar amounts expended on exploration, including drilling, and on development for the last two financial years of the issuer;
- (k) if estimates of reserves are represented as being based on estimates prepared or reviewed by an independent engineer or other qualified Person, identify the independent engineer or other qualified Person; the Applicable Regulator may request that a copy of the report of that engineer or other qualified Person be furnished as supplemental information and not as material filed as part of these requirements;
- (l) with respect to bank operations of an issuer's business, the following:

(loan terminology referred to in this paragraph shall have the meaning attributed to those terms in the Guidelines for Canadian Chartered Banks, published by the Office of the Superintendent of Financial Institutions Canada, or its predecessor)

- (i) non-performing loans
  - (A) dollar amount of non-accrual consumer loans by personal plan and credit card category as at the most recent financial year end,
  - (B) dollar amount of non-accrual loans by Canadian residents - residents elsewhere as at the most recent financial year end,
  - (C) in aggregate, for sovereign risk and private sector loans to banks and other entities, dollar amount of non-personal renegotiated reduced rate loans by Canadian residents - residents elsewhere as at the most recent financial year end in excess of the greater of:
    - (aa) 1/10 of 1% of the aggregate paid-in capital, contributed surplus and retained earnings of the bank at that time, and
    - (bb) \$500,000,
- (ii) other past due loans

dollar amount of loans 90-179 days past due and 180 days or more past due, separately, for loans by Canadian residents -residents elsewhere as at the most recent financial year end,
- (iii) interest income

separately, interest income as reported for the most recently completed financial year for domestic and international non-accrual loans, renegotiated reduced rate loans, and other past due loans,
- (iv) loans with provisions for doubtful credits

for sovereign risk and private sector loans to banks and other entities, dollar amount of loans with provision for doubtful credits other than general country risk provisions as at the most recent financial year end,
- (v) restructured loans
  - (A) dollar amount of loans classified as restructured loans in the most recently completed financial year for loans by Canadian residents - residents elsewhere,
  - (B) dollar amount of loans classified as restructured loans in the most recently completed financial year listed by country for sovereign risk and private sector loans to banks and other entities,
- (vi) foreign loans

- (A) for Designated Countries, total claims for sovereign risk and private sector loans to banks and other entities by country as at the most recent financial year end,
    - (B) total sovereign risk claims by country for any other countries towards which provisions against claims have been established as at the most recent financial year end, and
  - (vii) allowance for credit losses
    - (A) dollar amount of specific provisions as at the most recent financial year end,
    - (B) dollar amount of provisions for doubtful credits as at the most recent financial year end,
    - (C) dollar amount of general country risk provisions for Designated Countries by country or countries, if the general provision is established on a basket of countries, as at the most recent financial year end;
  - (m) for trust, mortgage loan and credit union (caisse d'épargne et de crédit) operations of the issuer's business:
    - (i) interest income
      - separately, interest income for consumer, commercial, and residential mortgage loans as reported for the most recently completed financial year,
  - (n) with respect to the principal properties of the issuer including, but not limited to, manufacturing plants, warehouses, service and retail outlets, offices and investment properties:
    - (i) the location for each principal property
      - except that where issuers have numerous locations, such as retailers, the information may be presented on a regional basis by reporting the total number and capacity of properties for each region,
    - (ii) the capacity in terms of floor space, output or other measures suitable for the respective industry,
    - (iii) the general character including the purpose or principal use of properties and the state of the properties,
    - (iv) the segment using the property and
    - (v) how the property is held (e.g., owned freehold or otherwise, leased, or held subject to any major encumbrances) including a brief description of any major encumbrances against the property.
- (2) With respect to the issuer's business in general, discuss the following matters and identify the industry segments affected:

- (a) the competitive conditions in the principal markets in which the issuer operates, including an assessment of the issuer's competitive position if possible;
- (b) the dollar amount spent by the issuer on research and development activities for the most recently completed financial year;
- (c) the financial or operational effect of environmental protection requirements on the capital expenditures, earnings and competitive position of the issuer for the current financial year and any expected impact on future years;
- (d) the number of employees, as at the most recent financial year end or as an average for the year, whichever is more relevant; and
- (e) any risks associated with the foreign operations of the issuer and any dependence of one or more of the issuer's industry segments upon such foreign operations.

**Item 4: Selected Consolidated Financial Information<sup>36</sup>**

<sup>36</sup> Where an issuer is required to reconcile its financial statements to Canadian GAAP, the issuer may present the selected consolidated financial information on the basis of the accounting principles used in its primary financial statements. In that case, the issuer shall provide in accordance with Canadian GAAP any of the information required under this item that is reconciled to Canadian GAAP in its financial statements.

- (1) Provide the following financial data for the issuer for the last five completed financial years, in summary form, accompanied by a discussion of those factors affecting the comparability of the data including discontinued operations, changes in accounting policies, significant acquisitions or disposals and major changes in the direction of the business:
  - (a) net sales or total revenues;
  - (b) income or loss before discontinued operations and extraordinary items, in total and on a per share and fully diluted per share basis calculated in accordance with the CICA Handbook;
  - (c) net income or loss, in total and on a per share and fully diluted per share basis calculated in accordance with the CICA Handbook;
  - (d) total assets;
  - (e) total long-term debt, retractable preferred shares and redeemable preferred shares (where the redemption privilege is required or expected to be exercised) from which there shall be deducted the amounts required or expected to be repaid, retracted or redeemed in the financial year immediately following the relevant financial year;
  - (f) cash dividends declared per share for each class of share; and
  - (g) such other information that the issuer believes would enhance an understanding of and would highlight other trends in financial condition and results of operations.
- (2) For each of the last eight quarters ending with the most recently completed financial year, provide the information required in paragraph (1) (a), (b) and (c). If the issuer is only required to file six month interim financial statements, for each of the last four completed six month periods ending

with the most recently completed financial year, provide the information required in paragraph (1) (a), (b) and (c).

- (3) Describe any restriction that could prevent the issuer from paying dividends. Disclose the issuer's dividend policy and where there is an authorized intention to change the dividend policy in the near future, disclose the intended change in dividend policy.

**Item 5: Management's Discussion and Analysis<sup>37</sup>**

<sup>37</sup> Where an issuer is required to reconcile its financial statements to Canadian GAAP, the discussion in the issuer's MD&A shall focus on its primary financial statements. The issuer shall include in its MD&A a reference to the reconciliation and a discussion of any aspects of the difference between the foreign accounting principles applied and Canadian GAAP not discussed in the financial statement reconciliation that the issuer believes is necessary for an understanding of the financial statements as a whole.

Incorporate by reference or reproduce the disclosure required by Schedule 2 to this Appendix. An issuer that has securities registered under the 1934 Act may satisfy the MD&A disclosure requirements of Schedule 2 to this Appendix by complying with the analogous requirements applicable to it under the 1934 Act.

**Item 6: Market for Securities**

Identify the exchange(s) or quotation system(s) on which the issuer's securities are listed and posted for trading or quoted.

**Item 7: Directors and Officers**

- (1) List the names and municipality of residence for all the directors and officers of the issuer and indicate their respective principal occupations within the five preceding years.
- (2) State the period or periods during which each director has served as a director and state when the term of office of each director will expire.
- (3) State the percentage of securities of each class of voting securities of the issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and senior officers of the issuer as a group.
- (4) State whether the issuer has an executive committee or is required to have an audit committee, and, if so, identify those directors who are members of each of those committees.

**Item 8: Additional Information**

- (1) Include a statement, or if the issuer is filing an annual report on Form 10-K or 20-F pursuant to section 5.4 of this Policy Statement then file an undertaking with the Applicable Regulator of the relevant Jurisdiction, to the effect that the issuer shall provide to any Person, upon request to the secretary of the issuer:
  - (a) when the securities of the issuer are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,
    - (i) 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,

- (ii) one copy of the comparative financial statements of the issuer for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the issuer subsequent to the financial statements for its most recently completed financial year,
  - (iii) 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 or one copy of any annual filing prepared in lieu of that information circular, as appropriate, and
  - (iv) 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 (i) to (iii) above; or
- (b) at any other time, one copy of any other documents referred to in (1) (a) (i), (ii) and (iii) above, provided the issuer may require the payment of a reasonable charge if the request is made by a Person who is not a security holder of the issuer.
- (2) Include a statement to the effect that additional information including directors' and officers' remuneration and indebtedness, principal holders of the issuer's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the issuer's information circular for its most recent annual meeting of shareholders that involved the election of directors, and that additional financial information is provided in the issuer's comparative financial statements for its most recently completed financial year.

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**SCHEDULE 1 TO APPENDIX A**

**INDUSTRY SEGMENTS**

The table set forth below is illustrative of the format that might be used for presenting the segment information required by Item 3 (1) (a) regarding industry segments and classes of similar products or services.

Revenue by Industry Segments and Classes of Products or Services

Year

	XXX2		XXX1	
	Third party customers	Investees	Third party customers	Investees
Industry segment A:				
Class of product 1				
Class of product 2				
Segment subtotal				
Industry segment B:				
Class of product 1				
Class of product 2				
Segment subtotal				

Other revenues

Totals by customer type

Sales from third party  
customers as above

Total consolidated  
revenues

## **NATIONAL POLICY STATEMENT NO. 47**

### **SCHEDULE 2 TO**

### **APPENDIX A**

### **MD&A**

#### **INSTRUCTIONS**

- (1) MD&A is supplemental analysis and explanation that accompanies but does not form part of the financial statements. MD&A provides management with the opportunity to explain in narrative form its current financial situation and future prospects. MD&A is intended to give the investor the ability to look at the issuer through the eyes of management by providing both a historical and prospective analysis of the business of the issuer. MD&A requirements ask management to discuss the dynamics of the business and to analyze the financial statements. Coupled with the financial statements this information should allow investors to assess an issuer's performance and future prospects.
- (2) Known material trends, commitments, events or uncertainties that are reasonably expected to have a material impact on the issuer's business, financial condition or results of operations are to be disclosed. The focus of MD&A is on information about the financial condition of an issuer as well as its operations with particular emphasis on liquidity and Capital Resources. Sufficient information on risks and uncertainties should be provided given the rapidly changing economic environment within which most issuers operate.
- (3) To allow issuers to discuss their business in the manner most appropriate to their individual circumstances, to encourage flexibility and to avoid boilerplate, the MD&A form is intentionally general and contains a minimum of specific instructions.

#### **CONTENTS OF MD&A**

##### **Item 1: General**

- (1) Discuss and compare the issuer's financial condition, changes in financial condition and results of operations for the last two completed financial years. Provide any information necessary to understand this discussion and comparison. Where a discussion of information related to a segment or other division of the business would be appropriate or necessary to an understanding of such business, focus the discussion on each relevant, reportable segment or other division of the business and on the issuer as a whole. In making this determination consideration should be given to whether any segment or other division of the business has a disproportionate effect on

revenues, profitability or cash needs; or whether there are legal or other restrictions upon the free flow of funds from one segment, subsidiary or division of the issuer to others; or whether known trends, demands, commitments, events or uncertainties within a segment are reasonably likely to have an effect on the business as a whole. The discussion should include internal factors as well as relevant economic and industry factors affecting the issuer.

- (2) The discussion and analysis shall focus on the financial statements and on financial, operational and other data that the issuer believes will enhance a reader's understanding of the issuer's financial condition, changes in financial condition and results of operations.
- (3) Issuers need only include information in their discussion and analysis that is available to the issuer without undue effort or expense and that does not clearly appear in the issuer's financial statements. The discussion and analysis should principally explain why changes have or have not occurred in the financial condition and results of operations of the issuer. This should include a discussion of the effect of discontinued operations, extraordinary items and changes in accounting policies where these items have had or are expected to have an effect on the financial condition and results of operations of the issuer. Numerical data included in or readily calculable from the financial statements and reports need not be repeated in the discussion. For example, where it is clear from the comparative financial statements what the amount of increase or decrease in revenues or the respective percentage change would be from the prior year, it is not necessary to include this information in the discussion since it is readily calculable.
- (4) Describe the causes for changes in the financial statements from year to year to the extent necessary to understand the business as a whole. An overall analysis of causes affecting more than one item will be sufficient.
- (5) Disclose information on risks and uncertainties facing the issuer necessary for an understanding of the issuer's financial condition, changes in financial condition and results of operations. The emphasis should be on disclosing risks and uncertainties likely to be factors within the next two financial years.
- (6) Discuss and analyze risks, events and uncertainties that would cause reported financial information not necessarily to be indicative of future operating results or of future financial condition. This would include descriptions and amounts of
  - (a) matters that would have an impact on future operations and have not had an impact in the past; and
  - (b) matters that have had an impact on reported operations and are not expected to have an impact upon future operations.
- (7) Describe any changes in the accounting policies of the issuer adopted subsequent to its most recent financial year end or any changes in its accounting policies that are known to the issuer but that the issuer has not yet implemented, including those resulting from a change in an accounting standard, or the issuance of a new accounting standard, that does not require adoption until some future date. Disclose, if known, the estimated effect on the financial statements of the implementation of any changes in the accounting policies described. Where the estimated effect is not known, provide a statement to that effect.
- (8) Provide information about the nature and magnitude of financial instruments and their effect on the issuer's liquidity, Capital Resources and results of operations. At the present time there is no widely accepted definition of financial instruments. Accounting standard setting bodies in several countries are working on projects that will define financial instruments and recommend appropriate accounting and disclosure requirements in this area. Information about financial

instruments may be important to gaining an understanding of the issuer's liquidity, Capital Resources and results of operations. Financial instruments include financing instruments (debt and equity instruments), asset backed securities (e.g. mortgage backed securities, repurchase agreements) and hedging instruments (e.g. future contracts, options and swaps). These categories and examples are not exhaustive and judgement must be used to identify other financial instruments.

- (9) When an issuer intends to proceed with a business acquisition or disposition or asset acquisition or disposition not in the normal course of operations that will have a material effect on its future financial condition or results of operations, the transaction and its effect should be discussed as part of MD&A. Disclosure must be made when a decision to proceed with the transaction has been made by the issuer's board of directors or by senior management with the expectation of concurrence from the board of directors. If this disclosure is considered unduly detrimental to the issuer, confidentiality may be requested in conjunction with a confidential filing pursuant to specific provisions of the Securities Legislation in each Jurisdiction in which the AIF is to be filed.

## **Item 2: Liquidity and Capital Resources**

- (1) Discussions of liquidity and Capital Resources may be combined whenever this facilitates the discussion. The discussion of liquidity shall be on both a historical and prospective basis in the context of the issuer's business (e.g., a discussion of working capital may be appropriate for certain manufacturing, industrial or related operations but might be inappropriate for a financial institution or public utility) and shall focus on the ability of the issuer to generate adequate amounts of cash and cash equivalents when needed. The discussion of liquidity and Capital Resources should focus on both short term and long term needs. Generally, short-term liquidity and short-term Capital Resources relate to cash needs for the next 12 months. This discussion should encompass matters such as the issuer's need to settle obligations as they mature and to maintain capacity to provide for planned growth.
- (2) With respect to the issuer's liquidity,
  - (a) identify any known trends or expected fluctuations in the issuer's liquidity, taking into account known demands, commitments, events or uncertainties; if a deficiency is identified indicate the course of action that has been taken or is proposed to be taken to remedy the deficiency;
  - (b) describe those balance sheet conditions or income or cash flow items that the issuer believes may be indicators of its liquidity condition;
  - (c) disclose the requirements relating to working capital items (e.g., where significant quantities of inventory are required to be carried to meet rapid delivery requirements of customers or where extended payment terms have been provided to customers);
  - (d) disclose the nature and extent of legal or practical restrictions on the ability of subsidiaries to transfer funds to the issuer; disclose the impact these restrictions have had and are expected to have on the ability of the issuer to meet its obligations; and
  - (e) if the issuer is in arrears on the payment of dividends, interest, or principal payment on borrowings, disclose this fact and provide details; if the issuer is in default on any debt covenants at the present time or was in default during the most recently completed financial year, disclose information concerning the default and the method or anticipated method of curing the default.
- (3) With respect to the issuer's Capital Resources,

- (a) describe and quantify commitments for capital expenditures as of the end of the most recently completed financial year, and indicate the general purpose of these commitments and the anticipated source of funds needed to fulfil these commitments; also quantify expenditures that are necessary but not yet committed to meet plans discussed under MD&A or elsewhere in the AIF; and
- (b) describe any known trends, favourable or unfavourable, in the issuer's Capital Resources; indicate any expected changes in the mix and relative cost of these resources; briefly discuss other sources of financing that have been arranged but not yet utilized.

**Item 3: Results of Operations**

- (1) Describe any unusual or infrequent events or transactions or any significant economic changes that materially affect income or loss from continuing operations and the extent to which income or loss from continuing operations was affected. Also disclose any other significant components of revenue or expense necessary to understand the results of operations.
- (2) Describe any known trends or uncertainties that have had or that the issuer reasonably expects will have a favourable or unfavourable impact on net sales or revenues or income or loss from continuing operations. If the issuer knows of events that are expected to cause a change in the relationship between costs and revenues (such as known future changes in costs of labour or materials or price changes or inventory adjustments), the change in the relationship shall be disclosed.
- (3) Provide a narrative discussion of the extent to which any changes in net sales or revenues are attributable to changes in selling prices or to changes in the volume or quantity of goods or services being sold or the introduction of new products or services.
- (4) Discuss briefly any impact of inflation and specific price changes on the issuer's net sales and revenues and on income or loss from continuing operations. For purposes of the discussion, no specific numerical financial data need be presented.

**NATIONAL POLICY STATEMENT NO. 47**

**APPENDIX B**

**SHORT FORM PROSPECTUS  
CONTENTS OF SHORT FORM PROSPECTUS**

**Item 1: Legends**

- (1) Every preliminary short form prospectus shall have printed in red ink on the outside front cover page the following legend or any variation as the Applicable Regulator in the issuer's Principal Jurisdiction may permit:

"This is a preliminary short form prospectus relating to these securities, a copy of which has been filed with [insert name of each Jurisdiction in which the preliminary short form prospectus has been filed] but which has not yet become final for the purpose of a distribution or a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold to, nor may offers to buy be accepted from, residents of such jurisdictions prior to the time a receipt for the final short form prospectus is obtained from the appropriate securities commission or other regulatory authority."

- (2) Every preliminary short form prospectus and short form prospectus shall contain the following legends on the cover page:

"This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

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 No.]. [insert if the offering is made in Québec - "For the purpose of the Province of Québec, 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 no."].

**Item 2: Distribution Spread**

- (1) The information called for by the following table shall be given, in substantially the tabular form indicated, on the cover page of the short form prospectus as to all securities being offered for cash (estimate amounts, if necessary). For non-fixed price offerings 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.

	Price to public	Underwriting discounts or commissions	Proceeds to issuer or selling security holders*
Per Unit			
Total			

\* Before deducting expenses of issue estimated at \$ .

- (2) In the case of a non-fixed price offering of Non-Convertible debt or Non-Convertible preferred shares permitted by this Policy Statement, disclose on the cover page of the short form prospectus:
- (a) the information required in paragraph (4) of item 7 of this Appendix; and
  - (b) the net proceeds or, where applicable, in the case of an offering to be made on a best efforts basis, the minimum amount of net proceeds to be received by the issuer or Selling Security Holder.
- (3) Where an issuer, underwriter or Selling Security Holder wishes to be able to decrease the price at which securities are offered for cash from the initial public offering price fixed 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 this Policy Statement, disclose on the cover page of the short form prospectus the information required in paragraph (4) of item 10 of this Appendix.

**Item 3: Name of Issuer**

State the full corporate name of the issuer and the address of its head office and principal place of business.

**Item 4: Summary Description of Business**

Provide a brief summary of the business carried on and intended to be carried on by the issuer and its subsidiaries.

**Item 5: Share and Loan Capital Structure**

Describe any material change in, and the effect thereof 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 Authorities.

**Item 6: Use of Proceeds**

- (1) State the estimated net proceeds to be received by the issuer, or in the case of a non-fixed price offering to be made on a best efforts basis, the minimum amount of net proceeds to be received by the issuer, from the sale of the securities to be offered, the principal purposes for which the net proceeds, or minimum amount of net proceeds, as the case may be, are intended to be used and the approximate amount intended to be used for each purpose.
- (2) Where disclosure is required pursuant to item 15 of this Appendix, provide the disclosure relating to use of proceeds required by the applicable form for a long form prospectus under the Securities Legislation of each Jurisdiction in which the short form prospectus is filed.

**Item 7: Plan of Distribution**

- (1) If the securities being offered are to be sold through underwriters, give the names of the underwriters, state briefly the nature of the underwriters' obligation, including the particulars of any "market out" clause, to take up and pay for the securities and indicate the date by which the underwriters are to purchase the securities.
- (2) Outline briefly the plan of distribution of any securities being offered other than through underwriters. Where there is a "best efforts" offering, indicate, where practicable, on the cover page the minimum amount, if any, required to be raised, and also indicate, where practicable, the maximum amount that could be raised and the latest date that the offering is to remain open.
- (3) If the issuer or Selling Security Holder or any of the underwriters 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 offering of the securities to be distributed, the issuer, Selling Security Holder or underwriter shall disclose their intention in accordance with the restrictions on trading rules of the Securities Legislation or Securities Requirements of the Jurisdiction in which the short form prospectus is being filed.
- (4) Where Non-Convertible debt or Non-Convertible preferred shares are to be offered at non-fixed prices as permitted by this Policy Statement, disclose:
  - (a) the discount allowed to the underwriters or the commission payable to the underwriters;
  - (b) any other compensation payable to the underwriters and, if applicable, reference to the fact that the underwriters' 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 underwriters to the issuer or Selling Security Holders;

- (c) that the securities will be offered either at prices determined by reference to the prevailing price of a specified security in a specified market, at market prices prevailing at the time of sale or at prices to be negotiated with purchasers, which prices may vary as between purchasers and during the period of distribution of the securities;
  - (d) where 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; and
  - (e) where the price of the securities will be the market price prevailing at the time of sale, the market price at the latest practicable date.
- (5) Where an issuer, underwriter or Selling Security Holder wishes to be able to decrease the price at which securities are offered for cash from the initial public offering price fixed 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 this Policy Statement, disclose that the compensation realized by the underwriters 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 underwriters to the issuer or Selling Security Holder.

**Item 8: Market for Securities**

Identify on the cover page of the short form prospectus the exchange(s) upon which the issuer's securities to be distributed are traded, if any.

**Item 9: Asset and Earnings Coverage Ratios**

In connection with an offering of debt having a term to maturity in excess of one year or an offering of preferred shares, provide:

- (a) asset and earnings coverage ratios that are based on the twelve 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 Securities Regulatory Authority, and
- (b) asset and earnings coverage ratios that are based on the twelve 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 Securities Regulatory Authority, provided this 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 Securities Regulatory Authority,

adjusted in each case to reflect

- (c) 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 these annual or interim financial statements;
- (d) the issuance of the securities that are to be offered pursuant to the short form prospectus, based on a reasonable estimate of the price at which these securities will be distributed;

- (e) the repayment or redemption of all long term debt since the date of these 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
- (f) in the case of earnings coverage ratios, the servicing costs that were incurred, or will be incurred, in relation to the adjustments in (c), (d) and (e) above.

**Item 10: Details of the Distribution**

- (1) If shares are being distributed, provide the designation of the class of shares offered and furnish information concerning all material attributes and characteristics including, without limiting the generality of the foregoing, dividend rights, voting rights, liquidation or distribution rights, preemptive rights, conversion rights, redemption, purchase or cancellation or surrender provisions, sinking or purchase fund provisions, liability to further calls or to assessment, and provisions as to modification, amendment or variation of any such rights or provisions. If the rights of holders of such shares may be modified otherwise than in accordance with the provisions attaching to the shares or to the provisions of the governing statute relating thereto, so state and briefly explain.
- (2) If debt obligations are being distributed, give a brief summary of the material attributes and characteristics of the indebtedness and the security therefor, if any, including without limiting the generality of the foregoing, provisions with respect to interest rate, maturity, redemption, other retirement, sinking fund and conversion rights, the nature and priority of any security for the debt obligations with a brief identification of the principal properties subject to lien or charge, 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, 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 obligations, the modification of the terms of the security and similar provisions. Also provide the name of the trustee under any indenture relating to the debt obligations and briefly describe the nature of any material relationship between the trustee and the issuer or any of its affiliates, and any financial arrangements between the issuer and any of its affiliates or among its affiliates that could affect the security for the indebtedness.
- (3) If securities other than shares or debt obligations are being distributed, describe fully the material attributes and characteristics of those securities.
- (4) Where an issuer, underwriter or Selling Security Holder wishes to be able to decrease the price at which securities are offered for cash from the initial public offering price fixed 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 this Policy Statement, disclose that after the underwriters have made a bona fide effort to sell all of the securities at the initial public offering price fixed in the short form prospectus, the public offering price may be decreased and thereafter further changed, from time to time, to an amount not greater than the initial public offering price fixed in the short form prospectus.
- (5) Where one or more ratings, including provisional ratings, have been received from one or more Approved Rating Organizations in respect of the securities to be distributed, whether as a result of a requirement of this Policy Statement or not, disclose the following information in each

preliminary short form prospectus and short form prospectus, other than a preliminary short form prospectus filed in accordance with NPS 44:

- (a) each security rating, including a provisional rating, received from an Approved Rating Organization, whether or not it is an Approved Rating;
- (b) the name of each Approved Rating Organization that has assigned a rating in respect of 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) a statement that a security rating is not a recommendation to buy, sell or hold securities and that it may be subject to revision or withdrawal at any time by the rating organization; and
- (e) any announcement made by an Approved Rating Organization that the organization intends to revise or withdraw a rating previously assigned and required to be disclosed pursuant to this paragraph.

**Item 11: Selling Security Holder**

If any of the securities being distributed are to be distributed for the account of a Selling Security Holder, name the Selling Security Holder and state the number or amount of the securities owned by the Selling Security Holder, the number or amount to be distributed for the account of the Selling Security Holder, and the number or amount to be owned by the Selling Security Holder after the distribution.

**Item 12: Resource Property**

Where a significant portion of the proceeds of a distribution is to be expended on a particular resource property and where the Current AIF does not contain the disclosure required by paragraph (1)(i) or (j) of item 3 in Appendix A, as appropriate, with respect to the property or that disclosure is inadequate due to recent changes, disclose the required information.<sup>38</sup>

<sup>38</sup> See note 26 to the "Table of Documents to be Filed in respect of the Clearance of National Issues" in NPS 1.

**Item 13: Business Acquisitions**

- (1) Where the proceeds of the securities offered are to be applied, in whole or in part, directly or indirectly, to finance the acquisition of a business by a purchase of assets or shares and that acquisition is material<sup>39</sup>

<sup>39</sup> See paragraph 2 of this item for a discussion of materiality in this context. Issuers should note that the Québec Securities Legislation does not limit the requirements for pro forma financial statements to those situations when the business acquisition is material to the issuer.

to the issuer, the short form prospectus relating to the securities being offered shall include:

- (a) a balance sheet of the acquired business

- (i) as at the date of the last financial year end of the acquired business and as at the corresponding date of the immediately preceding financial year, and
    - (ii) if that last financial year end date is more than 120 days prior to the date of the preliminary short form prospectus, as at a date that is not more than 120 days prior to the date of the preliminary short form prospectus;
  - (b) an income statement, a statement of retained earnings and a statement of changes in financial position (or where the acquired business is primarily engaged in the business of investing, a statement of changes in net assets) of the acquired business
    - (i) for each of its last three financial years, and
    - (ii) for any part of its subsequent financial year to the date at which the balance sheet required by (a)(ii) above is made up and for the comparative period in the immediately preceding financial year;
  - (c) a pro forma balance sheet that combines the assets and liabilities of the issuer and the acquired business as shown by their respective balance sheets, each as at the date of their respective last financial year ends, giving effect to the underlying assumptions and events described in (f) below;
  - (d) pro forma financial statements that combine, in respect of the last financial year of each of the acquired business and the issuer,
    - (i) the income or losses of the issuer with the income or losses of the acquired business, and
    - (ii) the changes in financial position of the issuer with the changes in financial position of the acquired business,in each case, giving effect to the underlying assumptions and events described in (f) below;
  - (e) the pro forma basic and pro forma fully diluted earnings per share based on the pro forma combined financial statements and calculated in accordance with the CICA Handbook; and
  - (f) a description of the underlying assumptions and the events on which the pro forma combined financial statements are predicated.
- (2) In this item, materiality should be determined in the context of the issuer's overall financial position prior to and after the acquisition taking into account both quantitative and qualitative factors. Materiality is a matter of judgement in the particular circumstances and should generally be determined in relation to the significance of the acquisition to investors, analysts and other users of financial statement information. Measures of materiality would generally include gross revenues, expenses, net income, shareholder's equity and total assets of the acquired business relative to those of the issuer. While this concept of materiality is broader than the definition of "material change" contained in the Securities Legislation of any Jurisdiction, it is consistent with the financial reporting notion of materiality contained in the CICA Handbook.
- (3) Subject to paragraph (4) below, each financial statement required pursuant to this item, other than a financial statement that relates to any part of a financial year subsequent to the last

audited financial year and the comparative period in the immediately preceding financial year, shall be accompanied by an auditor's report.

- (4) Any pro forma financial statement required pursuant to this item shall have attached a report, prepared by the auditor of the issuer, that may be solely a compilation report.

**Item 14: Issues of Guaranteed securities**

- (1) Where a distribution of securities is guaranteed<sup>40</sup>

<sup>40</sup> See footnote (13) above.

by another issuer, provide the following information with respect to the issuer of the securities:

- (a) where the issuer is a wholly owned subsidiary of the guarantor, has no operations or minimal operations that are independent of the guarantor and is an entity that functions essentially as a special purpose division of the guarantor, a brief reference to the issuer's business, a statement that the financial results of the issuer are included in the consolidated financial results of the guarantor and a cross-reference to the description of the issuer's business contained in the AIF of the guarantor;
- (b) where the issuer is a wholly owned subsidiary of the guarantor but has more than minimal operations that are independent of the guarantor, a summary of the narrative description of the business of the issuer and, in a note to the audited financial statements of the guarantor for its most recently completed financial year, a summary of financial information relating to the issuer's operations;<sup>41</sup> or

<sup>41</sup> If the issuer is a reporting issuer and has filed an annual information form for its most recently completed financial year as required under the provisions of the Securities Legislation or Securities Requirements of a Jurisdiction, the requirement for a summary narrative description of the business of the issuer may be satisfied by incorporating by reference into the issuer's preliminary short form prospectus and short form prospectus that annual information form, provided the issuer's annual information form is distributed to purchasers together with its preliminary short form prospectus and short form prospectus.

- (c) where the issuer is not a wholly owned subsidiary of the guarantor, a full narrative description of the business of the issuer and separate audited financial statements of the issuer for its most recently completed financial year<sup>42</sup>

<sup>42</sup> If the issuer is a reporting issuer and has filed an annual information form for its most recently completed financial year as required by the Securities Legislation or Securities Requirements of a Jurisdiction, the requirement for a full narrative description of the business of the issuer may be satisfied by incorporating certain documents by reference. The issuer may incorporate by reference into its preliminary short form prospectus and short form prospectus the annual information form referred to above and all other documents required to be incorporated by reference in a preliminary short form prospectus and short form prospectus, other than material change reports filed after the date of the annual information form. Any material change occurring after the date of the annual information form must be disclosed by providing a narrative description of the material change in the preliminary short form prospectus and short form prospectus. Any document incorporated by reference as provided in this footnote must be distributed to purchasers together with the issuer's preliminary short form prospectus and short form prospectus.

- (2) Only for purposes of paragraph (1) above, an issuer shall be deemed to be a wholly owned subsidiary of the guarantor, if the guarantor owns 96% or more of the outstanding voting securities of the issuer.

- (3) Where a distribution of securities is guaranteed by another issuer, provide information with respect to the guarantor by complying with the requirements of paragraph (5) of item 16 of this Appendix.

**Item 15: Relationship between Issuer and Underwriter**

Provide the disclosure required by the applicable form for a long form prospectus under the Securities Legislation of each Jurisdiction in which the short form prospectus is filed relating to conflicts of interest in connection with a distribution of securities of a registrant or a Connected Party of a registrant.

**Item 16: Documents Incorporated by Reference**

- (1) The documents set forth below shall be specifically incorporated by reference in the short form prospectus by means of a statement to that effect in the short form prospectus listing all those documents:
- (a) the issuer's Current AIF; and
  - (b) material change reports (except confidential material change reports), comparative interim financial statements, comparative financial statements for the issuer's most recently completed financial year, together with the accompanying report of the auditor, and information circulars or annual filings where information circulars are not required (42a), filed by the Issuer pursuant to the requirements of the Securities Legislation of any Jurisdiction in which a distribution of securities is made pursuant to the short form prospectus, since the commencement of the issuer's financial year in which the issuer's Current AIF was filed.<sup>42</sup>

<sup>42a</sup> In Ontario and British Columbia, an information circular or an annual filing where an information circular is not required must include a Statement of Executive Compensation in accordance with Form 40 under the regulations to the Securities Act (Ontario) or Form 41 specified by the Superintendent of Brokers in British Columbia. The items of disclosure in these forms which are required to be included in an information circular or an annual filing include, without limitation, Item V - Option and SAR Repricings, Item VIII - Compensation Committee, Item IX -Report on Executive Compensation and Item X -Performance Graph. The disclosure required by Items V, VIII, IX and X of these forms need not be incorporated by reference into the short form prospectus. Where similar changes are made to the executive compensation disclosure rules in other Jurisdictions, the disclosure required by the equivalent of Items V, VIII, IX and X of these forms need not be incorporated by reference into the short form prospectus.

- (2) The short form prospectus shall also state that documents referred to above filed by the issuer pursuant to the requirements of the Securities Legislation or Securities Requirements of any Jurisdiction in which a distribution of securities is made pursuant to the short form prospectus, after the date of the short form prospectus and prior to the termination of the distribution, shall be deemed to be incorporated by reference into the short form prospectus.
- (3) List the material change reports filed by the issuer since the filing of the issuer's Current AIF. In each case, provide the date of filing and a brief description of the material change.
- (4) The short form prospectus shall contain a statement in bold face type substantially to the effect of section 6.1(2) of this Policy Statement.

- (5) Where an issuer is doing a distribution contemplated by item 14 of this Appendix, the provisions of paragraphs (1), (2) and (3) of this item apply with necessary changes to the guarantor.

**Item 17: Interest of Experts**

- (1) Where any solicitor, auditor, accountant, engineer, appraiser or other Person whose profession gives authority to a statement made by that Person is named in a short form prospectus or a document specifically incorporated by reference in a short form prospectus as having prepared or certified any part of that document or is named as having prepared or certified a report or valuation used in a short form prospectus or in a document specifically incorporated by reference into a short form prospectus and
- (a) has received or expects to receive any interest, whether direct or indirect in the property of the issuer or any Associate or affiliate of the issuer, or
  - (b) beneficially owns, directly or indirectly, any securities of the issuer or any Associate or affiliate of the issuer,
- disclose that interest or ownership.
- (2) Where any Person referred to in paragraph (1) above is or is expected to be elected, appointed or employed as a director, officer or employee of the issuer or any Associate or affiliate of the issuer, disclose the fact or expectation.

**Item 18: Other Material Facts**

Give particulars of any material facts relating to the securities proposed to be offered and not disclosed pursuant to the foregoing items or in the documents referred to in item 16 of this Appendix incorporated by reference into the short form prospectus.

**Item 19: Statutory Rights of Withdrawal and Rescission**

The short form prospectus shall contain a statement of withdrawal and rescission rights in the following form:

"Securities legislation in several of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such 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."

**Item 20: Certificates**

- (1) The preliminary short form prospectus and short form prospectus shall contain a certificate in the following form signed by the chief executive officer, the chief financial officer, and, on behalf of the board of directors of the issuer, any two directors of the issuer, other than the foregoing, duly authorized to sign and any person who is a promoter of the issuer:

"The foregoing, 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 laws of [insert name of each Jurisdiction in which qualified][insert if offering made in Québec - "For the purpose of the Province of Québec, 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."].

- (2) Where there is an underwriter, the preliminary short form prospectus and the short form prospectus shall contain a certificate in the following form signed by the underwriter or underwriters who, with respect to the securities offered by the prospectus, are in a contractual relationship with the issuer or Selling Security Holders:

"To the best of our knowledge, information and belief, the foregoing, 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 laws of [insert name of each Jurisdiction in which qualified][insert if offering made in Québec - "For the purpose of the Province of Québec, 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."].

- (3) Where the disclosure in item 14 of this Appendix is required to be included, the preliminary short form prospectus and short form prospectus shall contain a certificate of the guarantor and a certificate of the issuer, in each case, in the form required in paragraph (1) above.<sup>43 44</sup>

<sup>43</sup> Reference should be made to the provisions of the Securities Legislation of a Jurisdiction that provide for a right of action against every Person who signs a prospectus or an amendment to a prospectus.

<sup>44</sup> The Securities Regulatory Authorities recognize that, in certain circumstances, a guarantor may consider that its knowledge of the affairs of the issuer is not such that it considers it appropriate to sign a certificate in the form specified under this paragraph. In these circumstances, provided the guarantor is not a promoter of the issuer or a Selling Security Holder, the Securities Regulatory Authorities may agree to allow the guarantor to sign a different form of certificate. Guarantors who wish to request such permission should make their request in accordance with section 7.3.

## NATIONAL POLICY STATEMENT NO. 47

### APPENDIX C APPLICABLE REGULATOR

<b>Jurisdiction</b>	<b>Representative</b>
Alberta	Director, Securities Analysis
British Columbia <sup>46</sup>	Deputy Superintendent, Corporate Finance
Manitoba	Deputy Director, Corporate Finance

<sup>46</sup> For purposes of applications pursuant to section 4.5 of this Policy Statement, the Applicable Regulator is the Deputy Superintendent, Exemptions and Orders.

New Brunswick	Administrator of Securities
Newfoundland	Director of Securities
Northwest Territories	Deputy Registrar of Securities
Nova Scotia	Director of Securities
Ontario	Director, Corporate Finance
Prince Edward Island	Registrar of Securities

Québec<sup>45</sup>

<sup>45</sup> Issuers considering a distribution of securities in the Province of Québec and concurrently in other Jurisdictions under the POP System should contact the "Directeur des Opérations financières et de l'Information continue" in circumstances where they would contact the Applicable Regulator in other Jurisdictions.

Saskatchewan <sup>47</sup>	Director
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<sup>47</sup> For purposes of applications pursuant to section 4.5 of this Policy Statement, the Applicable Regulator is the Saskatchewan Securities Commission.

Yukon Territory	Registrar of Securities
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