APPENDIX 5B

OSC RULE 61-501

ONTARIO SECURITIES COMMISSION RULE 61-501

INSIDER BIDS, ISSUER BIDS, GOING PRIVATE TRANSACTIONS AND RELATED PARTY TRANSACTIONS

TABLE OF CONTENTS

ONTARIO SECURITIES COMMISSION RULE 61-501

INSIDER BIDS, ISSUER BIDS, GOING PRIVATE TRANSACTIONS

AND RELATED PARTY TRANSACTIONS

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

(1) In this Rule

"affected security" means,

(a) for a going private transaction of an issuer, a participating security of the issuer in which the interest of a beneficial owner would be terminated by reason of the transaction, and

(b) for a related party transaction of an issuer, a participating security of the issuer;

"bona fide lender" means a person or company that

(a) holds securities sufficient to affect materially the control of an issuer

(i) solely as collateral for debt under a written pledge agreement entered into by the person or company as a lender, or

(ii) solely as collateral acquired under a written agreement by the person or company as an assignee or transferee of the debt and collateral referred to in subparagraph (i),

(b) is not yet legally entitled to dispose of the securities for the purpose of applying proceeds of realization in repayment of the secured debt, and

(c) was not a related party of the issuer at the time the pledge agreement referred to in subparagraph (a)(i) or the assignment or transfer referred to in subparagraph (a)(ii) was entered into;

"class" includes a series of a class;

"disclosure document" means,

(a) for an insider bid,

(i) a take-over bid circular sent to holders of offeree securities, or

(ii) if the insider bid takes the form of a stock exchange insider bid, the disclosure document sent to holders of offeree securities that is deemed to be a take-over bid circular under subsection 131(10) of the Act,

(b) for an issuer bid,

(i) an issuer bid circular sent to holders of offeree securities, or

(ii) if the issuer bid takes the form of a stock exchange issuer bid, the disclosure document sent to holders of offeree securities that is deemed to be an issuer bid circular under subsection 131(10) of the Act,

(c) for a going private transaction, an information circular sent to holders of affected securities, or, if no information circular is required, another document sent to holders of affected securities in connection with a meeting of holders of affected securities, and

(d) for a related party transaction,

(i) an information circular sent to holders of affected securities,

(ii) if no information circular is required, another document sent to holders of affected securities in connection with a meeting of holders of affected securities, or

(iii) if no information circular or document is required, a material change report filed for the transaction;

"fair market value" means, except as provided in paragraph 6.4(1)(d), the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act;

"formal valuation" means, for a transaction, a valuation prepared in accordance with Part 6 that contains a qualified and independent valuator's opinion as to a value or range of values representing the fair market value of the subject matter of the valuation;

"freely tradeable" means, in respect of securities, that

(a) the securities are not non-transferable,

(b) the securities are not subject to any escrow requirements,

(c) the securities do not form part of the holdings of any person or company or combination of persons or companies referred to in paragraph (c) of the definition of "distribution" in the Act,

(d) the securities are not subject to any cease trade order imposed by a Canadian securities regulatory authority,

(e) all hold periods imposed by Canadian securities legislation before the securities can be traded without a prospectus or in reliance on a prospectus exemption have expired, and

(f) any period of time for which the issuer has to have been a reporting issuer before the securities can be traded without a prospectus or in reliance on a prospectus exemption has passed;

"independent committee" means, for an issuer, a committee consisting exclusively of one or more independent directors of the issuer;

"independent director" means, for an issuer in respect of a transaction, a director of the issuer who

(a) is not an interested party in the transaction, and

(b) is independent, as determined in accordance with section 7.1;

"independent valuator" means, for a transaction, a valuator that is independent of all interested parties in the transaction, as determined in accordance with section 6.1;

"interested party" means,

(a) for an insider bid, the offeror,

(b) for an issuer bid,

(i) the issuer, and

(ii) any person or company, other than a bona fide lender, that, whether alone or jointly or in concert with others, holds or would reasonably be expected to hold, upon successful completion of the issuer bid, securities of the issuer sufficient to affect materially its control,

(c) for a going private transaction, a related party of the issuer that is the subject of the going private transaction, if the related party would

(i) be entitled to receive, directly or indirectly, consequent upon the transaction

(A) a consideration per security that is not identical in amount and type to that paid to all other beneficial owners in Canada of affected securities of the same class, or

(B) consideration of greater value than that paid to all other beneficial owners of affected securities of the same class, or

(ii) upon completion of the transaction, beneficially own, or exercise control or direction over, participating securities of a class other than affected securities, and

(d) for a related party transaction in respect of the issuer, a related party of the issuer, that is a party to or is involved in the related party transaction,

"issuer insider" means, for an issuer

(a) every director or senior officer of the issuer,

(b) every director or senior officer of a company that is itself an issuer insider or subsidiary entity of the issuer, and

(c) a person or company who beneficially owns, directly or indirectly, voting securities of the issuer or who exercises control or direction over voting securities of the issuer, or a combination of both, carrying more than 10 percent of the voting rights attached to all voting securities of the issuer for the time being outstanding other than voting securities beneficially owned by the person or company as underwriter in the course of a distribution;

"market capitalization" of an issuer means, for a transaction, the aggregate market price of all outstanding securities of all classes of equity securities of the issuer, the market price of the outstanding securities of a class being

(a) in the case of equity securities of a class for which there is a published market, the product of

(i) the number of securities of the class outstanding as at the close of business on the last business day of the calendar month preceding the calendar month in which the transaction is agreed to or, if no securities of the class were outstanding on that day, on the first business day after that day that securities of the class became outstanding, so long as that day precedes the date the transaction is agreed to, and

(ii) the market price of the securities on the published market on which the class of securities is principally traded at the business day referred to in subparagraph (i), as determined in accordance with subsections 183(1), (2) and (4) of the Regulation,

(b) in the case of equity securities of a class for which there is no published market but that are currently convertible into a class of equity securities for which there is a published market, the product of

(i) the number of equity securities into which the convertible securities were convertible as at the close of business on the last business day of the calendar month preceding the calendar month in which the transaction is agreed to or, if no convertible securities were outstanding or convertible on that day, on the first business day after that day that the convertible securities became outstanding or convertible, so long as that day precedes the date the transaction is agreed to, and

(ii) the market price of the securities into which the convertible securities were convertible, on the published market on which the class of securities is principally traded, at the business day referred to in subparagraph (i), as determined in accordance with subsections 183(1), (2) and (4) of the Regulation, and

(c) in the case of equity securities of a class not referred to in paragraphs (a) or (b), the amount determined by the issuer's board of directors in good faith to represent the market price of the outstanding securities of that class;

"minority approval" means, for a going private transaction or related party transaction in respect of an issuer, approval of the proposed transaction by a majority of the votes cast by holders of each class of affected securities specified by section 8.1 at a meeting of securityholders of that class called to consider the transaction;

"OBCA" means the Business Corporations Act;

"offeree security" means a security that is subject to an insider bid or an issuer bid;

"participating security" means a security of an issuer that carries a residual right to participate in the earnings of the issuer and, upon the liquidation or winding up of the issuer, in its assets;

"prior valuation" means a valuation or appraisal of an issuer or its securities or material assets, whether or not prepared by an independent valuator, that, if disclosed, would reasonably be expected to affect the decision of a beneficial owner to vote for or against a transaction, or to retain or dispose of affected securities or offeree securities, other than

(a) a report of a valuation or appraisal prepared for the issuer by another person or company, if

(i) the report was not solicited by the issuer, and

(ii) the person or company preparing the report did so without knowledge of any material non-public information concerning the issuer, its securities or any of its material assets,

(b) in respect of a transaction involving an issuer, an internal valuation or appraisal prepared for the issuer in the ordinary course of business that has not been made available to, and has been prepared without the participation of

(i) the board of directors of the issuer, or

(ii) any director or senior officer of an interested party, except a person who is a senior officer of the issuer in the case of an issuer bid,

(c) a report of a market analyst or financial analyst that

(i) has been prepared by or for and at the expense of a person or company other than the issuer, an interested party, or an associate or affiliated entity of the issuer or an interested party, and

(ii) is either generally available to clients of the analyst or of the analyst's employer or of an affiliated entity or associate of the analyst's employer or, if not, is not based, so far as the person or company required to disclose a prior valuation is aware, on any material non-public information concerning the issuer, its securities or any of its material assets,

(d) a valuation or appraisal prepared by a person or company or a person or company retained by the person or company, for the purpose of assisting the person or company in determining the price at which to propose a transaction that resulted in the person or company becoming an issuer insider, if the valuation or appraisal is not made available to any of the independent directors of the issuer, or

(e) a valuation or appraisal prepared by an interested party or a person or company retained by the interested party, for the purpose of assisting the interested party in determining the price at which to propose a transaction that, if pursued, would be an insider bid, going private transaction or related party transaction, if the valuation or appraisal is not made available to any of the independent directors of the issuer;

"related party" of an issuer or of an interested party in connection with a transaction, as the case may be, means a person or company, other than a bona fide lender, that, at the relevant time and after reasonable inquiry, is known by the issuer, the interested party or a director or senior officer of the issuer or interested party to be

(a) a person or company, whether alone or jointly or in concert with others, that holds securities of the issuer or of the interested party sufficient to affect materially the control of the issuer or of the interested party,

(b) a person or company in respect of which a person or company referred to in paragraph (a), whether alone or jointly or in concert with others, holds securities sufficient to affect materially the control of the first-mentioned person or company referred to in this paragraph (b),

(c) a person or company in respect of which the issuer or the interested party, whether alone or jointly or in concert with others, holds securities sufficient to affect materially the control of the person or company,

(d) a person or company that beneficially owns, or exercises control or direction over, voting securities of the issuer or of the interested party carrying more than 10 percent of the voting rights attached to all of the issued and outstanding voting securities of the issuer or of the interested party,

(e) a director or senior officer

(i) of the issuer or of the interested party, or

(ii) of a related party within the meaning of paragraph (a), (b) (c), (d), (f) or (g) of the issuer or of the interested party,

(f) a person or company that manages or directs, to any substantial degree, the affairs or operations of the issuer or the interested party under an agreement, arrangement or understanding between the person or company and the issuer or the interested party, including the general partner of an issuer or interested party that is a limited partnership, and

(g) an affiliated entity of, a person controlling, or a company controlled by, any of the persons or companies described in paragraphs (a) through (f);

"stock exchange insider bid" means an insider bid described in subclause (b)(i) of the definition of "formal bid" in subsection 89(1) of the Act;

"stock exchange issuer bid" means an issuer bid described in subclause (b)(i) of the definition of "formal bid" in subsection 89(1) of the Act; and

"valuation date" means, in respect of a transaction, the effective date of a formal valuation for the transaction.

(2) For the purposes of this Rule, a person or company, whether alone or jointly or in concert with others, that beneficially owns, or exercises control or direction over, voting securities to which are attached more than 20 percent of the votes attached to all of the outstanding voting securities of another person or company, is considered, in the absence of evidence to the contrary, to hold securities sufficient to affect materially the control of that person or company.

(3) For the purposes of the Act, the regulations and the rules,

"going private transaction" means an amalgamation, arrangement, consolidation, amendment to the terms of a class of participating securities of the issuer or any other transaction with or involving a person or company that is a related party of the issuer at the time the transaction is agreed to, as a consequence of which the interest of a beneficial owner of a participating security of the issuer in that security may be terminated without the beneficial owner's consent, other than

(a) an acquisition of a participating security of an issuer under a statutory right of compulsory acquisition,

(b) a share consolidation that does not have the effect of terminating the interests of the beneficial owners of participating securities of an issuer in those securities without their consent except to an extent that is nominal in the circumstances,

(c) a redemption of, or other compulsory termination of, a beneficial owner's interest in a participating security of an issuer in accordance with and under the terms attached to the class of securities of which the participating security forms a part,

(d) a proceeding under the liquidation or dissolution provisions of the statute under which the issuer is organized or is governed as to corporate law matters, or

(e) a transaction in which the related party or an affiliated entity of the related party

(i) is only entitled to receive, directly or indirectly, consequent upon the transaction a consideration per security that is identical in amount and type to that paid to all other beneficial owners in Canada of affected securities of the same class,

(ii) is not entitled to receive, directly or indirectly, consequent upon the transaction consideration of greater value than that paid to all other beneficial owners of affected securities of the same class, and

(iii) upon completion of the transaction does not beneficially own or exercise control or direction over participating securities of a class other than affected securities;

"insider bid" means a take-over bid made by

(a) an issuer insider of the offeree issuer,

(b) an associate or affiliated entity of the issuer insider,

(c) an associate or affiliated entity of the offeree issuer, or

(d) an offeror acting jointly or in concert with a person or company referred to in paragraphs (a), (b) or (c); and

"related party transaction" means, in respect of an issuer, a transaction between or involving the issuer and a person or company that is a related party of the issuer at the time the transaction is agreed to, whether or not there are also other parties to the transaction, as a consequence of which, either by itself or together with other related transactions between or involving the issuer and the related party or a person or company acting jointly or in concert with the related party, whether or not there are also other parties to the transaction, the issuer directly or indirectly

(a) purchases or acquires an asset from the related party for valuable consideration,

(b) purchases or acquires, jointly or in concert with the related party, an asset from a third party if the proportion of the asset acquired by the issuer is less than the proportion of the consideration paid by the issuer,

(c) assumes or otherwise becomes subject to a liability of the related party,

(d) sells, transfers or disposes of an asset to the related party,

(e) sells, transfers or disposes of, jointly or in concert with the related party, an asset to a third party if the proportion of the consideration received by the issuer is less than the proportion of the asset sold, transferred or disposed of by the issuer,

(f) leases property to or from the related party,

(g) issues a security to the related party or subscribes for a security of the related party,

(h) amends or agrees to the amendment of the terms of a security of the issuer if the security is beneficially owned or is one over which control or direction is exercised by the related party, or agrees to the amendment of the terms of a security of the related party if the security is beneficially owned by the issuer or is one over which the issuer exercises control or direction,

(i) borrows money from or lends money to the related party,

(j) releases, cancels or forgives a debt or liability owed by the related party,

(k) provides a guarantee or collateral security for a debt or liability of the related party, or amends or agrees to the amendment of the terms of the guarantee or security,

(l) is a party to an amalgamation, arrangement or merger with the related party, other than a transaction referred to in paragraph (m), or

(m) participates in a transaction with the related party that is a going private transaction in respect of the related party or would be a going private transaction in respect of the related party except that it comes within the exception in paragraph (e) of the definition of going private transaction.

1.2 Application of Part XX of the Act

(1) For the purposes of this Rule,

(a) "formal bid" and "offeror" have the respective meanings ascribed to those terms in subsection 89(1) of the Act; and

(b) "acting jointly or in concert" has the meaning ascribed to that phrase in section 91 of the Act.

(2) For the purposes of the definition of related party and subsection 1.1(2), section 90 of the Act applies in determining beneficial ownership of securities.

1.3 Liquid Market in a Class of Securities

(1) For the purposes of this Rule, a liquid market in a class of securities of an issuer in respect of a transaction involving an issuer exists at a particular time only

(a) if

(i) there is a published market for the class of securities,

(ii) during the period of 12 months before the date the transaction is agreed to in the case of a related party transaction or 12 months before the date an insider bid, issuer bid, or going private transaction is announced, in the case of an insider bid, issuer bid, or going private transaction

(A) the number of outstanding securities of the class was at all times at least 5,000,000, excluding securities beneficially owned, directly or indirectly, or over which control or direction was exercised, by related parties and securities that were not freely tradeable,

(B) the aggregate trading volume of the class of securities on the published market on which that class is principally traded was at least 1,000,000 securities,

(C) there were at least 1,000 trades in securities of the class on the published market on which that class is principally traded, and

(D) the aggregate trading value based on the price of the trades referred to in clause (C) was at least $15,000,000, and

(iii) the market value of the class of securities on the published market on which that class is principally traded, as determined in accordance with subsections (2) and (3), was at least $75,000,000 for the calendar month preceding the calendar month

(A) in which the transaction is agreed to, in the case of a related party transaction, or

(B) in which the transaction is announced, in the case of an insider bid, issuer bid or going private transaction, or

(b) if the test set out in paragraph (a) is not met,

(i) there is a published market for the class of securities,

(ii) a qualified person or company that is independent of all interested parties to the transaction, as determined in accordance with section 6.1, provides an opinion to the issuer that there is a liquid market in the class at the date the transaction is agreed to in the case of a related party transaction or at the date the transaction is announced in the case of an insider bid, issuer bid or going private transaction, and

(iii) the opinion is included in a disclosure document for the transaction, together with a statement that the published market on which the class is principally traded has sent a letter to the Director indicating concurrence with the opinion or providing a similar opinion.

(2) For the purpose of determining whether an issuer satisfies the market value requirement of subparagraph (1)(a)(iii), the market value of a class of securities for the calendar month is calculated by multiplying

(a) the number of securities of the class outstanding as at the close of business on the last business day of the calendar month; by

(b) if

(i) the published market provides a closing price for the securities, the arithmetic average of the closing prices of the securities of that class on the published market on which that class is principally traded for each of the trading days during the calendar month, or

(ii) the published market does not provide a closing price, but provides only the highest and lowest prices of securities traded on a particular day, the arithmetic average of the simple averages of the highest and lowest prices of the securities of that class on the published market on which that class is principally traded for each of the trading days for which the securities traded during the calendar month.

(3) For the purposes of subsection (2), in calculating the number of securities of the class, an issuer shall exclude those securities of the class that were beneficially owned, directly or indirectly, or over which control or direction was exercised, by related parties and securities that were not freely tradeable.

(4) An issuer that relies on an opinion referred to in paragraph (1)(b) shall cause the letter referred to in subparagraph (1)(b)(iii) to be provided promptly to the Director.

1.4 Arm's Length Dealings

(1) It is a question of fact whether two or more persons or companies act, negotiate or deal with each other at arm's length.

(2) Despite subsection (1), an issuer does not act, negotiate or deal at arm's length with a related party of the issuer and an interested party does not act, negotiate or deal at arm's length with a related party of the interested party.

1.5 Interpretation

(1) In this Rule, a person or company is considered to be an affiliated entity of another person or company if one is a subsidiary entity of the other or if both are subsidiary entities of the same person or company, or if each of them is controlled by the same person or company.

(2) In this Rule, a person or company is considered to be a subsidiary entity of another person or company if

(a) it is controlled by

(i) that other, or

(ii) that other and one or more persons or companies, each of which is controlled by that other, or

(iii) two or more persons or companies, each of which is controlled by that other; or

(b) it is a subsidiary entity of a person or company that is that other's subsidiary entity.

(3) In this Rule for the purposes of interpreting the terms "subsidiary entity" and "affiliated entity", a person or company is considered to be controlled by another person or company if

(a) in the case of a person or company

(i) the other person or company beneficially owns or exercises control or direction over voting securities of the first-mentioned person or company carrying more than 50 percent of the votes for the election of directors, and

(ii) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors of the first-mentioned person or company;

(b) in the case of a partnership that does not have directors, other than a limited partnership, the other person or company beneficially owns or exercises control or direction over more than 50 percent of the interests in the partnership; or

(c) in the case of a limited partnership, the other person or company is the general partner.

(4) For the purposes of this Rule, a person or company is considered to be a wholly-owned subsidiary entity of an issuer if the issuer owns, directly or indirectly, all the voting and equity securities and securities convertible or exchangeable into voting and equity securities of the person or company.

PART 2 INSIDER BIDS

2.1 Application

(1) This Part applies to every insider bid, except an insider bid that is exempt from Part XX of the Act under

(a) clause 93(1)(a) of the Act, unless it is a stock exchange insider bid;

(b) clauses 93(1)(b) through (f) of the Act; or

(c) a decision made by the Commission under clause 104(2)(c) of the Act, unless the decision otherwise provides.

(2) Despite subsection (1), this Part does not apply to a take-over bid that is an insider bid by reason solely of the application of section 90 of the Act to an agreement between the offeror and a securityholder of the offeree issuer that offeree securities beneficially owned by the securityholder, or over which the securityholder exercises control or direction, will be tendered to the bid, if

(a) the securityholder is not acting jointly or in concert with the offeror; and

(b) the general nature and material terms of the agreement to tender are disclosed in a news release and report filed under section 101 of the Act or are otherwise generally disclosed.

(3) Despite subsection (1), this Part does not apply to an MJDS take-over bid circular, an MJDS directors' circular, or an MJDS director's or officer's circular, in respect of an insider bid, unless securityholders of the offeree issuer whose last address as shown on the books of the issuer is in Canada, as determined in accordance with subsections 12.1(2) through (4) of National Instrument 71-101 The Multijurisdictional Disclosure System, hold 20 percent or more of the class of securities that is the subject of the bid.

(4) For the purpose of subsection (3), the terms "MJDS take-over bid circular", "MJDS directors' circular" and "MJDS director's or officer's circular" have the meaning ascribed to those terms in National Instrument 71-101.

2.2 Disclosure

(1) An offeror shall disclose in a disclosure document for an insider bid

(a) the background to the insider bid; and

(b) in accordance with section 6.8, every prior valuation in respect of the offeree issuer

(i) that has been made in the 24 months before the date of the insider bid, and

(ii) the existence of which is known after reasonable inquiry to the offeror or any director or senior officer of the offeror.

(2) An offeror shall include in the required disclosure document for a stock exchange insider bid the disclosure required by Form 33 of the Regulation, appropriately modified.

(3) The board of directors of an offeree issuer shall

(a) disclose in the directors' circular for an insider bid in accordance with section 6.8 every prior valuation in respect of the offeree issuer not disclosed in the disclosure document for the insider bid

(i) that has been made in the 24 months before the date of the insider bid, and

(ii) the existence of which is known after reasonable inquiry to the offeree issuer or to any director or senior officer of the offeree issuer;

(b) disclose in the directors' circular a description of the background to the insider bid to the extent the background has not been disclosed in the disclosure document for the insider bid;

(c) disclose in the directors' circular any bona fide prior offer that relates to the offeree securities or is otherwise relevant to the insider bid, which offer was received by the issuer during the 24 months before the insider bid was publicly announced, and a description of the offer and the background to the offer; and

(d) include in the directors' circular a discussion of the review and approval process adopted by the board of directors and the independent committee, if any, of the offeree issuer for the insider bid, including any materially contrary view or abstention by a director and any material disagreement between the board and the independent committee.

2.3 Formal Valuation

(1) Subject to section 2.4, the offeror in an insider bid shall

(a) obtain, at its own expense, a formal valuation;

(b) provide the disclosure required by section 6.2;

(c) disclose, in accordance with section 6.5, a summary of the formal valuation in the disclosure document for the insider bid, unless the formal valuation is included in its entirety in the disclosure document; and

(d) comply with the other provisions of Part 6 applicable to it relating to formal valuations.

(2) An independent committee of the offeree issuer shall, and the offeror shall enable the independent committee to

(a) determine who the valuator will be; and

(b) supervise the preparation of the formal valuation.

2.4 Exemptions from Formal Valuation Requirement

(1) Section 2.3 does not apply to an offeror in connection with an insider bid in any of the following circumstances if the facts supporting reliance upon an exemption are disclosed in the disclosure document for the insider bid:

1. Discretionary Exemption - The offeror has been granted an exemption from section 2.3 under section 9.1.

2. Lack of Knowledge and Representation - The offeror does not have and has not had within the preceding 12 months any board or management representation in respect of the offeree issuer and has no knowledge of any material non-public information concerning the offeree issuer or its securities.

3. Previous Arm's Length Negotiations - If

(a) the consideration under the insider bid is at least equal in value to and is in the same form as the highest consideration agreed to with one or more selling securityholders of the offeree issuer in arm's length negotiations

(i) in connection with the making of the insider bid,

(ii) in connection with another transaction involving securities of the class of offeree securities, if the agreement was entered into not more than 12 months before the date of the first public announcement of the bid, or

(iii) in connection with two or more transactions or a combination of transactions referred to in subparagraphs (i) and (ii),

(b) at least one of the selling securityholders party to an agreement referred to in subparagraph (a)(i) or (ii) beneficially owns or exercises control or direction over, or beneficially owned or exercised control or direction over, and agreed to sell,

(i) at least five percent of the outstanding securities of the class of offeree securities, as determined in accordance with subsection (2), if the offeror beneficially owned, directly or indirectly, 80 percent or more of the outstanding securities of the class of offeree securities, as determined in accordance with subsection (2), or

(ii) at least 10 percent of the outstanding securities of the class of offeree securities, as determined in accordance with subsection (2), if the offeror beneficially owned, directly or indirectly, less than 80 percent of the outstanding securities of the class of offeree securities, as determined in accordance with subsection (2),

(c) one or more of the selling securityholders party to any of the transactions referred to in paragraph (a) beneficially owns or exercises control or direction over, or beneficially owned or exercised control or direction over, and agreed to sell, in the aggregate, at least 20 percent of the outstanding securities of the class of offeree securities, as determined in accordance with subsection (3), beneficially owned, or over which control or direction is exercised, by persons or companies other than the offeror and persons or companies acting jointly or in concert with the offeror,

(d) the offeror reasonably believes, after reasonable inquiry, that at the time of each of the agreements referred to in paragraph (a)

(i) each selling securityholder party to the agreement had full knowledge and access to information concerning the offeree issuer and its securities, and

(ii) any factors peculiar to a selling securityholder party to the agreement, including non-financial factors, that were considered relevant by that selling securityholder in assessing the consideration did not have the effect of reducing the price that would otherwise have been considered acceptable by that selling securityholder,

(e) at the time of each of the agreements referred to in paragraph (a), the offeror did not know, and to the knowledge of the offeror, after reasonable inquiry, no selling securityholder party to the agreement knew, of any material non-public information in respect of the offeree issuer or the offeree securities that,

(i) was not disclosed generally, and

(ii) if disclosed, could have reasonably been expected to increase the agreed consideration,

(f) any of the agreements referred to in paragraph (a) was entered into with a selling securityholder by a person or company other than the offeror, the offeror reasonably believes, after reasonable inquiry, that at the time of that agreement, the person or company did not know of any material non-public information in respect of the offeree issuer or the offeree securities that

(i) was not disclosed generally, and

(ii) if disclosed, could have reasonably been expected to increase the agreed consideration, and

(g) the offeror does not know, after reasonable inquiry, of any material non-public information in respect of the offeree issuer or the offeree securities since the time of each of the agreements referred to in paragraph (a) that has not been disclosed generally and could reasonably be expected to increase the value of the offeree securities.

4. Auction - If

(a) the insider bid is publicly announced or made while

(i) one or more formal bids for securities of the same class that are the subject of the insider bid have been made and are outstanding,

(ii) one or more going private transactions for securities of the same class that are the subject of the insider bid and ascribe a per security value to those securities are outstanding, or

(iii) one or more transactions are outstanding that

(A) would be going private transactions in respect of securities of the same class that are the subject of the insider bid except that they come within the exception in paragraph (e) of the definition of going private transaction, and

(B) ascribe a per security value to those securities,

(b) at the time the insider bid is made, the offeree issuer has provided equal access to the offeree issuer and information concerning the offeree issuer and its securities, to the offeror in the insider bid, all other offerors and all other persons or companies that proposed the transactions described in subparagraph (ii) or (iii) of paragraph (a), and

(c) the offeror, in the disclosure document for the insider bid,

(i) includes all material non-public information concerning the offeree issuer and its securities that is known to the offeror after reasonable inquiry but has not been generally disclosed, together with a description of the nature of the offeror's access to the issuer; and

(ii) states that the offeror does not know, after reasonable inquiry, of any material non-public information concerning the offeree issuer and its securities other than information that has been disclosed under subparagraph (i) or that has otherwise been generally disclosed.

(2) For the purpose of paragraph 3(b) of subsection (1), the number of outstanding securities of the class of offeree securities

(a) is calculated at the time of the agreement referred to in subparagraph 3(a)(i) or (ii) of subsection (1), if the offeror knows the number of securities of the class outstanding at that time; or

(b) if paragraph (a) does not apply, is determined based upon the information most recently provided by the offeree issuer in a material change report or under section 2.1 of National Instrument 62-102 Disclosure of Outstanding Share Data, immediately preceding the date of the agreement referred to in subparagraph 3(a)(i) or (ii) of subsection (1).

(3) For the purpose of paragraph 3(c) of subsection (1), the number of outstanding securities of the class of offeree securities

(a) is calculated at the date of the last of the agreements referred to in paragraph 3(a) of subsection (1), if the offeror knows the number of securities of the class outstanding at that time; or

(b) if paragraph (a) does not apply, is determined based upon the information most recently provided by the offeree issuer in a material change report or under section 2.1 of National Instrument 62-102, immediately preceding the date of the last of the agreements referred to in paragraph 3(a) of subsection (1).

PART 3 ISSUER BIDS

3.1 Application

(1) This Part applies to every issuer bid, except an issuer bid that is exempt from Part XX of the Act under

(a) clauses 93(3)(a) through (d) and (f) through (i) of the Act;

(b) clause 93(3)(e) of the Act, unless it is a stock exchange issuer bid; or

(c) a decision made by the Commission under clause 104(2)(c) of the Act, unless the decision otherwise provides.

(2) Despite subsection (1), this Part does not apply to a MJDS issuer bid circular, unless securityholders of the offeree issuer whose last address as shown on the books of the issuer is in Canada, as determined in accordance with subsections 12.1(2) through (4) of National Instrument 71-101, hold 20 percent or more of the class of securities that is the subject of the bid.

(3) For the purpose of subsection (2), the term "MJDS issuer bid circular" has the meaning ascribed to that term in National Instrument 71-101.

3.2 Disclosure

(1) An issuer shall

(a) include in a disclosure document for an issuer bid the disclosure required by item 16 of Form 32 of the Regulation, to the extent applicable;

(b) disclose in the disclosure document a description of the background to the issuer bid;

(c) disclose in the disclosure document in accordance with section 6.8 every prior valuation in respect of the offeree issuer

(i) that has been made in the 24 months before the date of the issuer bid, and

(ii) the existence of which is known after reasonable inquiry to the issuer or to any director or senior officer of the issuer;

(d) disclose in the disclosure document any bona fide prior offer that relates to the offeree securities or is otherwise relevant to the issuer bid, which offer was received by the issuer during the 24 months before the issuer bid was publicly announced, and a description of the offer and the background to the offer;

(e) include in the disclosure document a discussion of the review and approval process adopted by the board of directors and the independent committee, if any, of the issuer for the issuer bid, including any materially contrary view or abstention by a director and any material disagreement between the board and the independent committee; and

(f) include in the disclosure document

(i) a statement of the intention, if known to the issuer after reasonable inquiry, of every interested party to accept or not to accept the issuer bid; and

(ii) a description of the effect that the issuer anticipates the issuer bid, if successful, will have on the direct or indirect voting interest in the issuer of every interested party.

(2) An issuer shall include in the required disclosure document for a stock exchange issuer bid the applicable disclosure required by Form 33 of the Regulation.

3.3 Formal Valuation

(1) Subject to section 3.4, an issuer that makes an issuer bid shall

(a) obtain a formal valuation;

(b) provide the disclosure required by section 6.2;

(c) disclose, in accordance with section 6.5, a summary of the formal valuation in the disclosure document for the issuer bid, unless the formal valuation is included in its entirety in the disclosure document;

(d) if there is an interested party other than the issuer, state in the disclosure document who will pay or has paid for the valuation; and

(e) comply with the other provisions of Part 6 applicable to it relating to formal valuations.

(2) The board of directors of the issuer or an independent committee of the board shall

(a) determine who the valuator will be; and

(b) supervise the preparation of the formal valuation.

3.4 Exemptions from Formal Valuation Requirement - Section 3.3 does not apply to an issuer in connection with an issuer bid in any of the following circumstances if the facts supporting reliance upon an exemption are disclosed in the disclosure document for the issuer bid:

1. Discretionary Exemption - The issuer has been granted an exemption from section 3.3 under section 9.1.

2. Bid for Non-Convertible Securities - The issuer bid is for securities that are not participating securities and that are not, directly or indirectly, convertible into or exchangeable for participating securities.

3. Liquid Market - The issuer bid is made for securities for which

(a) a liquid market exists,

(b) it is reasonable to conclude that, following the completion of the bid, there will be a market for beneficial owners of the securities who do not tender to the bid that is not materially less liquid than the market that existed at the time of the making of the bid, and

(c) if an opinion referred to in subparagraph (b)(ii) of subsection 1.3(1) is provided, the person or company providing the opinion reaches the conclusion described in subparagraph 3(b) of this section 3.4 and so states in its opinion.

PART 4 GOING PRIVATE TRANSACTIONS

4.1 Application

(1) Subject to subsection (2), this Part applies to every going private transaction.

(2) This Part does not apply to a going private transaction

(a) if the issuer is not a reporting issuer;

(b) if the issuer is a mutual fund;

(c) if

(i) persons or companies

(A) whose last address as shown on the books of the issuer is in Ontario do not hold more than two percent of each class of the outstanding affected securities of the issuer, or

(B) who are in Ontario and who beneficially own affected securities of the issuer do not beneficially own more than two percent of each class of the outstanding affected securities of the issuer, and

(ii) all documents concerning the transaction that are sent generally to other holders of affected securities of the issuer are concurrently sent to all holders of the securities whose last address as shown on the books of the issuer is in Ontario; or

(d) if the transaction

(i) was announced before the coming into force of this Rule,

(ii) has not been completed before the coming into force of this Rule,

(iii) is being carried out in accordance with the guidelines of Ontario Securities Commission Policy 9.1, and

(iv) is completed substantially in accordance with the terms generally disclosed at the time the transaction was announced or thereafter before the coming into force of this Rule.

4.2 Meeting and Information Circular

(1) If minority approval is required to be obtained for a going private transaction, the issuer shall

(a) call a meeting of holders of affected securities; and

(b) send an information circular to holders of affected securities.

(2) An issuer shall include in the information circular referred to in paragraph (1)(b)

(a) the disclosure required by Form 33 of the Regulation, to the extent applicable and with necessary modifications;

(b) the disclosure required by item 16 of Form 32 of the Regulation, to the extent applicable, together with a description of rights that may be available to securityholders opposed to the transaction and of legal developments, if any, relating to the type of transaction;

(c) a description of the background to the going private transaction;

(d) disclosure in accordance with section 6.8 of every prior valuation in respect of the issuer

(i) that has been made in the 24 months before the date of the information circular, and

(ii) the existence of which is known after reasonable inquiry to the issuer or to any director or senior officer of the issuer;

(e) disclosure of any bona fide prior offer that relates to the subject matter of or is otherwise relevant to the transaction, which offer was received by the issuer during the 24 months before the transaction was publicly announced, and a description of the offer and the background to the offer; and

(f) a discussion of the review and approval process adopted by the board of directors and the independent committee, if any, of the issuer for the transaction, including any materially contrary view or abstention by a director and any material disagreement between the board and the independent committee.

(3) If, after sending the information circular referred to in paragraph (1)(b) and before the date of the meeting, a change occurs that, if disclosed, would reasonably be expected to affect the decision of a beneficial owner of affected securities to vote for or against the going private transaction or to retain or dispose of affected securities, the issuer shall promptly disseminate disclosure of the change

(a) in a manner that the issuer reasonably determines will inform beneficial owners of affected securities of the change; and

(b) sufficiently in advance of the meeting that the beneficial owners of affected securities will be able to assess the impact of the change.

(4) If subsection (3) applies, the issuer shall file a copy of the information disseminated contemporaneously with its dissemination.

4.3 Conditions for Relief from Timing for OBCA Information Circular

(1) The conditions for the granting of an exemption from the requirement in subsection 190(3) of the OBCA to send a management information circular not less than 40 days before the date of a meeting called to consider a "going private transaction" as defined in the OBCA are that

(a) Part 4 does not apply to the transaction by reason of subsection 4.1(2);

(b) the transaction is not a going private transaction as defined in subsection 1.1(3); or

(c) the transaction is carried out in accordance with Part 4.

(2) If any one of the conditions in subsection (1) applies, an issuer that proposes to carry out a transaction that is a "going private transaction" as defined in the OBCA

(a) is exempt from the 40 day requirement in subsection 190(3) of the OBCA in respect of a meeting called to consider a "going private transaction" as defined in the OBCA; and

(b) is not required to make an application under subsection 190(6) of the OBCA for the requisite exemption.

4.4 Formal Valuation

(1) Subject to section 4.5, an issuer whose affected securities are the subject of a proposed going private transaction shall

(a) obtain a formal valuation;

(b) provide the disclosure required by section 6.2;

(c) disclose, in accordance with section 6.5, a summary of the formal valuation in the disclosure document for the going private transaction, unless the formal valuation is included in its entirety in the disclosure document;

(d) state in the disclosure document for the going private transaction who will pay or has paid for the valuation; and

(e) comply with the other provisions of Part 6 applicable to it relating to formal valuations.

(2) The board of directors of the issuer or an independent committee of the board shall

(a) determine who the valuator will be; and

(b) supervise the preparation of the formal valuation.

4.5 Exemptions from Formal Valuation Requirement

(1) Section 4.4 does not apply to an issuer in connection with a going private transaction in any of the following circumstances if the facts supporting reliance upon an exemption are disclosed in the disclosure document:

1. Discretionary Exemption - The issuer has been granted an exemption from section 4.4 under section 9.1.

2. Previous Arm's Length Negotiations - If

(a) the consideration under the going private transaction is at least equal in value to and is in the same form as the highest consideration agreed to with one or more selling securityholders of the issuer in arm's length negotiations

(i) in connection with the going private transaction,

(ii) in connection with another transaction involving securities of the class of affected securities, if the agreement was entered into not more than 12 months before the date of the first public announcement of the going private transaction, or

(iii) in connection with two or more transactions or a combination of transactions referred to in subparagraphs (i) and (ii),

(b) at least one of the selling securityholders party to an agreement referred to in subparagraph (a)(i) or (ii) beneficially owns or exercises control or direction over, or beneficially owned or exercised control or direction over, and agreed to sell,

(i) at least five percent of the outstanding securities of the class of affected securities, as determined in accordance with subsection (2), if the person or company proposing the going private transaction beneficially owned, directly or indirectly, 80 percent or more of the outstanding securities of the class of affected securities, as determined in accordance with subsection (2), or

(ii) at least 10 percent of the outstanding securities of the class of affected securities, as determined in accordance with subsection (2), if the person or company proposing the going private transaction beneficially owned, directly or indirectly, less than 80 percent of the outstanding securities of the class of affected securities, as determined in accordance with subsection (2),

(c) one or more of the selling securityholders party to any of the transactions referred to in paragraph (a) beneficially owns or exercises control or direction over, or beneficially owned or exercised control or direction over, and agreed to sell, in the aggregate, at least 20 percent of the outstanding securities of the class of affected securities, as determined in accordance with subsection (3), beneficially owned or over which control or direction is exercised by persons or companies other than an interested party and persons or companies acting jointly or in concert with an interested party,

(d) the person or company proposing the going private transaction reasonably believes, after reasonable inquiry, that at the time of each of the agreements referred to in paragraph (a)

(i) each selling securityholder party to the agreement had full knowledge of and access to information concerning the issuer and its securities,

(ii) any factors peculiar to a selling securityholder party to the agreement, including non-financial factors, that were considered relevant by the selling securityholder in assessing the consideration did not have the effect of reducing the price that would otherwise have been considered acceptable by that selling securityholder,

(e) at the time of each of the agreements referred to in paragraph (a), the person or company proposing the going private transaction did not know, and to the knowledge of the person or company proposing the going private transaction, after reasonable inquiry, no selling securityholder party to the agreement knew, of any material non-public information in respect of the issuer or the affected securities that

(i) was not disclosed generally, and

(ii) if disclosed, could have reasonably been expected to increase the agreed consideration,

(f) any of the agreements referred to in paragraph (a) was entered into with a selling securityholder by a person or company other than the person or company proposing the going private transaction, the person or company proposing the going private transaction reasonably believes, after reasonable inquiry, that at the time of that agreement, the person or company did not know of any material non-public information in respect of the issuer or the affected securities that,

(i) was not disclosed generally, and

(ii) if disclosed, could have reasonably been expected to increase the agreed consideration, and

(g) the person or company proposing the going private transaction, after reasonable inquiry, does not know of any material non-public information in respect of the issuer or the affected securities since the time of each of the agreements referred to in paragraph (a) that has not been disclosed generally and could reasonably be expected to increase the value of the affected securities.

3. Auction - If

(a) the going private transaction is publicly announced while

(i) one or more going private transactions for the affected securities that ascribe a per security value to those securities are outstanding,

(ii) one or more transactions are outstanding that

(A) would be going private transactions in respect of the affected securities, except that they come within the exception in paragraph (e) of the definition of going private transaction, and

(B) ascribe a per security value to those securities, or

(iii) one or more formal bids for the affected securities have been made and are outstanding, and

(b) at the time the disclosure document for the going private transaction has been sent, the issuer has provided equal access to the issuer and information concerning the issuer and its securities, to the person or company proposing the going private transaction, the persons or companies that have proposed the other transactions described in clauses (i) or (ii) of subparagraph (a) and the offerors that have made the formal bids.

4. Second Step Going Private Transaction - If

(a) the going private transaction in respect of the offeree issuer is being effected by a person or company or an affiliated entity of the person or company following a formal bid by the person or company and is in respect of the outstanding securities of the same class that were the subject of the bid,

(b) the going private transaction is completed no later than 120 days after the date of expiry of the formal bid,

(c) the intent to effect the going private transaction was disclosed in the disclosure document for the formal bid,

(d) the consideration per security paid by the person or company or the affiliated entity of the person or company in the going private transaction

(i) is at least equal in value to the consideration per security that was paid by the person or company in the formal bid, and

(ii) is in the same form as the consideration per security that was paid by the person or company in the formal bid, and if the consideration paid consisted of securities of the person or company, consists of the same securities, and

(e) the disclosure document for the formal bid

(i) described the tax consequences of both the formal bid and the subsequent going private transaction, if, at the time of making the formal bid, the tax consequences arising from the subsequent going private transaction

(A) were known or reasonably foreseeable to the person or company that made the formal bid, and

(B) were reasonably expected to be different from the tax consequences of tendering to the formal bid, or

(ii) disclosed that the tax consequences of the formal bid and the subsequent going private transaction may be different, if, at the time of making the formal bid, the person or company that made the formal bid did not know or could not reasonably foresee the tax consequences arising from the subsequent going private transaction.

5. Non-redeemable Investment Fund - The issuer is a non-redeemable investment fund that

(a) at least once each quarter calculates and publicly disseminates the net asset value of its securities, and

(b) at the time of announcing the going private transaction, publicly disseminates the net asset value of its securities as at the business day before announcing the going private transaction.

(2) For the purposes of paragraph 2(b) of subsection (1), the number of outstanding securities of the class of affected securities

(a) is calculated at the time of the agreement referred to in subparagraph 2(a)(i) or (ii) of subsection (1), if the person or company proposing the going private transaction knows the number of securities of the class outstanding at that time; or

(b) if paragraph (a) does not apply, is determined based upon the information most recently provided by the issuer of the affected securities, in a material change report or under section 2.1 of National Instrument 62-102, immediately preceding the date of the agreement referred to in subparagraph 2(a)(i) or (ii) of subsection (1).

(3) For the purposes of paragraph 2(c) of subsection (1), the number of outstanding securities of the class of affected securities

(a) is calculated at the date of the last of the agreements referred to in paragraph 2(a) of subsection (1), if the person or company proposing the going private transaction knows the number of securities of the class outstanding at that time; or

(b) if paragraph (a) does not apply, is determined based upon the information most recently provided by the issuer of the affected securities in a material change report or under section 2.1 of National Instrument 62-102, immediately preceding the date of the last of the agreements referred to in paragraph 2(a) of subsection (1).

4.6 Conditions for Relief from OBCA Valuation Requirement

(1) The conditions for the granting of an exemption from the requirements of subsection 190(2) and clauses 190(3)(a) and (c) of the OBCA for a transaction that is a "going private transaction" as defined in the OBCA are that

(a) Part 4 does not apply to the transaction by reason of subsection 4.1(2);

(b) the transaction is not a going private transaction as defined in subsection 1.1(3);

(c) section 4.4 does not apply by reason of section 4.5; or

(d) the issuer complies with section 4.4.

(2) If any one of the conditions referred to in subsection (1) applies, an issuer that proposes to carry out a transaction that is a "going private transaction" as defined in the OBCA

(a) is exempt from the requirements of subsection 190(2) and clauses 190(3)(a) and (c) of the OBCA; and

(b) is not required to make an application under subsection 190(6) of the OBCA for the requisite exemptions.

4.7 Minority Approval - Subject to section 4.8, no going private transaction shall be carried out in respect of an issuer unless minority approval for the going private transaction has been obtained under Part 8.

4.8 Exemptions from Minority Approval Requirement

(1) Section 4.7 does not apply to a going private transaction in any of the following circumstances if the facts supporting reliance upon an exemption are disclosed in the disclosure document for the going private transaction:

1. Discretionary Exemption - The issuer has been granted an exemption from section 4.7 under section 9.1.

2. 90 Percent Exemption - Subject to subsection (2), one or more interested parties beneficially owns 90 percent or more of the outstanding securities of a class of affected securities at the time that the going private transaction is proposed and either

(a) an appraisal remedy is available to holders of the class of affected securities under the statute under which the issuer is organized or is governed as to corporate law matters, or

(b) if the appraisal remedy referred to in subparagraph (a) is not available, holders of the class of affected securities are given an enforceable right that is substantially equivalent to the appraisal remedy provided for in subsection 185(4) of the OBCA and that is described in the disclosure document for the going private transaction.

(2) If there are two or more classes of affected securities, paragraph 2 of subsection (1) applies only to a class for which the interested party beneficially owns or the interested parties beneficially own 90 percent or more of the outstanding securities of the class.

4.9 Conditions for Relief from OBCA Minority Approval Requirement

(1) The conditions for the granting of an exemption from the requirements of clauses 190(3)(b) and (d) and subsection 190(4) of the OBCA for a transaction that is a "going private transaction" as defined in the OBCA are that

(a) Part 4 does not apply to the transaction by reason of subsection 4.1(2);

(b) the transaction is not a going private transaction as defined in subsection 1.1(3);

(c) section 4.7 does not apply by reason of section 4.8; or

(d) the issuer complies with section 4.7.

(2) If any one of the conditions referred to in subsection (1) applies, an issuer that proposes to carry out a transaction that is a "going private transaction" as defined in the OBCA

(a) is exempt from the requirements of clauses 190(3)(b) and (d) and subsection 190(4) of the OBCA; and

(b) is not required to make an application under subsection 190(6) of the OBCA for the requisite exemptions.

PART 5 RELATED PARTY TRANSACTIONS

5.1 Application

(1) Subject to subsection (2), this Part applies to every related party transaction.

(2) This Part does not apply to a related party transaction

(a) if the issuer is not a reporting issuer;

(b) if the issuer is a mutual fund;

(c) if

(i) persons or companies

(A) whose last address as shown on the books of the issuer is in Ontario do not hold more than two percent of each class of the outstanding affected securities of the issuer, or

(B) who are in Ontario and who beneficially own affected securities of the issuer do not beneficially own more than two percent of each class of the outstanding affected securities of the issuer, and

(ii) all documents concerning the transaction that are sent generally to other holders of affected securities of the issuer are concurrently sent to all holders of the securities whose last address as shown on the books of the issuer is in Ontario;

(d) that is a statutory amalgamation between

(i) the issuer and one or more of its wholly-owned subsidiary entities, but no other person or company, or

(ii) two or more wholly-owned subsidiary entities of the issuer, but no other person or company;

(e) that is a going private transaction in respect of the issuer carried out in accordance with Part 4 or exempt from Part 4 under subsection 4.1(2);

(f) that would be a going private transaction in respect of the issuer except that it comes within the exceptions in paragraphs (a) through (e) of the definition of going private transaction;

(g) that

(i) is part of a series of related transactions that the issuer or a predecessor of the issuer negotiated at arm's length with a person or company that became a related party of the issuer only as a consequence of one of the transactions in the series of related transactions, and

(ii) the issuer is obligated to and does complete the transaction substantially in accordance with the terms negotiated at arm's length;

(h) that was agreed to by the issuer or a predecessor of the issuer before July 5, 1991, if the issuer is obligated to complete the transaction in accordance with the terms agreed to and generally disclosed at that time or thereafter before the coming into force of this Rule;

(i) that

(i) was agreed to by the issuer or a predecessor of the issuer after July 5, 1991 but before the coming into force of this Rule,

(ii) has not been completed before the coming into force of this Rule,

(iii) is being carried out in accordance with the guidelines of Ontario Securities Commission Policy 9.1, and

(iv) the issuer is obligated to and does complete the transaction substantially in accordance with the terms agreed to and generally disclosed at the time the transaction was agreed to or thereafter before the coming into force of this Rule;

(j) if

(i) the transaction was agreed to by the issuer or a predecessor of the issuer on or before the date that the issuer became a reporting issuer, and

(ii) the issuer is obligated to and does complete the transaction substantially in accordance with the terms agreed to and generally disclosed at the time the transaction was agreed to or thereafter on or before the date that the issuer became a reporting issuer;

(k) if the transaction represents an issuance or transfer by an issuer of securities upon the exercise by a holder of a right to purchase, convert, exchange or retract previously granted by the issuer, which right is attached to a class of securities for which there is a published market, and the issuer is obligated to complete the transaction;

(l) that is carried out by an issuer to which the Rule In the Matter of Certain Trades in Securities of Junior Resource Issuers (1997), 20 OSCB 1218, as amended by (1999), 22 OSCB 2152, or any successor to that Rule applies, in accordance with that Rule or any successor to that Rule; or

(m) that is a distribution

(i) of the securities of an issuer and is a related party transaction in respect of the issuer solely because the interested party is an underwriter of the distribution, and

(ii) carried out in compliance with, or under an exemption from, the requirements of

(A) until Multilateral Instrument 33-105 Underwriting Conflicts comes into force, Part XIII of the Regulation, and

(B) after Multilateral Instrument 33-105 comes into force, that Multilateral Instrument.

(3) This Part does not apply to a person or company that is subject to the requirements of Part IX of the Loan and Trust Corporations Act, Part XI of the Bank Act (Canada), Part XI of the Insurance Companies Act (Canada), or Part XI of the Trust and Loan Companies Act (Canada), and the person or company complies with those provisions.

5.2 Disclosure: News Release and Material Change Report

(1) An issuer shall include in a material change report required to be filed under the Act for a related party transaction

(a) a description of the transaction and its material terms;

(b) the purpose and business reasons for the transaction;

(c) the anticipated effect of the transaction on the issuer's business and affairs;

(d) a description of

(i) the interest in the transaction of every interested party that is expected to receive, directly or indirectly, as a consequence of the transaction, a benefit that is not also expected to be received on a pro rata basis by all other holders of affected securities, and the issuer insiders, associates, affiliated entities and other related parties of that interested party,

(ii) the effect of the transaction on every person or company referred to in subparagraph (i), and

(iii) the nature of any benefit that will accrue as a consequence of the transaction to every person or company referred to in subparagraph (i);

(e) if subsection 5.4(2) does not apply to the issuer, a discussion of the review and approval process adopted by the board of directors, and the independent committee, if any, of the issuer for the transaction, including any materially contrary view or abstention by a director and any material disagreement between the board and the independent committee;

(f) a summary in accordance with section 6.5 of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction;

(g) disclosure in accordance with section 6.8 of every prior valuation in respect of the issuer that has been made in the 24 months before the date of the material change report

(i) that relates to the subject matter of or is otherwise relevant to the transaction, and

(ii) the existence of which is known after reasonable inquiry to the issuer or to any director or senior officer of the issuer; and

(h) the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party, or a person or company acting jointly or in concert with an interested party, in connection with the transaction.

(2) If a material change report is filed by a reporting issuer less than 21 days before the expected date of closing of the transaction, the issuer shall explain in the news release required to be issued under the Act and material change report why the shorter period is reasonable or necessary in the circumstances.

(3) Despite paragraph (1)(f), if an issuer is required to include a summary of the formal valuation in the material change report and the formal valuation is not available at the time the issuer files the material change report, the issuer shall file a supplementary material change report containing the disclosure required by paragraph (1)(f) as soon as the formal valuation is available.

5.3 Copy of Material Change Report - An issuer shall send a copy of any material change report prepared by it in respect of the related party transaction to any securityholder of the issuer upon request and without charge.

5.4 Meeting and Information Circular

(1) If minority approval is required to be obtained for a related party transaction, the issuer shall

(a) call a meeting of holders of affected securities; and

(b) send an information circular to holders of affected securities.

(2) An issuer shall include in the information circular referred to in paragraph (1)(b)

(a) the disclosure required by Form 33 of the Regulation, to the extent applicable and with necessary modifications;

(b) the disclosure required by item 16 of Form 32 of the Regulation, to the extent applicable, together with a description of rights that may be available to securityholders opposed to the transaction and of legal developments, if any, relating to the type of transaction;

(c) a description of the background to the related party transaction;

(d) disclosure in accordance with section 6.8 of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction

(i) that has been made in the 24 months before the date of the information circular, and

(ii) the existence of which is known after reasonable inquiry to the issuer or to any director or senior officer of the issuer;

(e) disclosure of any bona fide prior offer that relates to the subject matter of or is otherwise relevant to the transaction, which was received by the issuer during the 24 months before the transaction was publicly announced, and a description of the offer and the background to the offer; and

(f) a discussion of the review and approval process adopted by the board of directors and the independent committee, if any, of the issuer for the transaction, including any materially contrary view or abstention by a director and any material disagreement between the board and the independent committee.

(3) If, after sending the information circular referred to in paragraph (1)(b) and before the date of the meeting, a change occurs that would, if disclosed, reasonably be expected to affect the decision of a beneficial owner of affected securities to vote for or against the related party transaction or to retain or dispose of affected securities, the issuer shall promptly disseminate disclosure of the change

(a) in a manner that the issuer reasonably determines will inform beneficial owners of affected securities of the change; and

(b) sufficiently in advance of the meeting that the beneficial owners of affected securities will be able to assess the impact of the change.

(4) If subsection (3) applies, the issuer shall file a copy of the information disseminated contemporaneously with its dissemination.

5.5 Formal Valuation

(1) Subject to section 5.6, an issuer involved in a related party transaction shall

(a) obtain a formal valuation;

(b) provide the disclosure required by section 6.2;

(c) disclose, in accordance with section 6.5, a summary of the formal valuation in the disclosure document for the related party transaction, unless the formal valuation is included in its entirety in the disclosure document;

(d) state in the disclosure document for the related party transaction who will pay or has paid for the valuation; and

(e) comply with the other provisions of Part 6 applicable to it relating to formal valuations.

(2) The board of directors of the issuer or an independent committee of the board shall

(a) determine who the valuator will be; and

(b) supervise the preparation of the formal valuation.

5.6 Exemptions from Formal Valuation Requirement - Section 5.5 does not apply to an issuer in connection with a related party transaction in any of the following circumstances if the facts supporting reliance upon an exemption are disclosed in both the material change report referred to in section 5.2 and the information circular referred to in paragraph (b) of subsection 5.4(1):

1. Discretionary Exemption - The issuer has been granted an exemption from section 5.5 under section 9.1.

2. Fair Market Value not more than 25 Percent of Market Capitalization - The transaction

(a) is not an amalgamation or merger, whether by way of arrangement or otherwise, and

(b) is one in which at the date the transaction is agreed to

(i) neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involves all interested parties, is greater than 25 percent of the issuer's market capitalization, or

(ii) if either of the values referred to in clause (i) is not readily determinable, the board of directors of the issuer, acting in good faith, determines that the value referred to in clause (i) that is not readily determinable, is not greater than 25 percent of the issuer's market capitalization.

3. Amalgamation, Merger or Arrangement - The transaction is

(a) an amalgamation, merger or arrangement between an issuer or a wholly-owned subsidiary entity of the issuer, and an interested party described in paragraph (c) of the definition of related party without taking into account securities beneficially owned by an affiliated entity of the issuer that is not a subsidiary entity of the issuer, and

(b) one in which, as at the date the transaction is agreed to

(i) neither the fair market value of the securities of the interested party beneficially owned by persons or companies other than the issuer and persons or companies acting jointly or in concert with the issuer, before the transaction, nor the fair market value of the consideration to be received by those persons or companies under the transaction, is greater than 25 percent of the issuer's market capitalization, or

(ii) if either of the values referred to in clause (i) is not readily determinable, the board of directors of the issuer, acting in good faith, determines that the value referred to in clause (i) that is not readily determinable is not greater than 25 percent of the issuer's market capitalization.

4. Certain Transactions in the Ordinary Course of Business - The transaction is

(a) a purchase or sale, in the ordinary course of business of the issuer, of inventory consisting of personal property under an agreement that has been approved by the board of directors of the issuer and the existence of which has been generally disclosed, or

(b) a lease of real or personal property under an agreement on reasonable commercial terms that, considered as a whole, are not less advantageous to the issuer than if the lease was with a person or company dealing at arm's length with the issuer and the existence of which has been generally disclosed.

5. Pro Rata Transaction - If

(a) the transaction consists of

(i) a rights offering made to holders of affected securities,

(ii) a dividend paid in cash or in securities of the issuer or a dividend in specie to holders of affected securities,

(iii) a distribution of assets of the issuer directly or indirectly to holders of affected securities, or

(iv) a reorganization of one or more classes of an issuer's affected securities to which subparagraphs (i), (ii) and (iii) do not apply, and

(b) the interested party is treated identically to all other holders in Canada of affected securities and does not receive, directly or indirectly, as a consequence of the transaction consideration of greater value than that received on a pro rata basis by all other holders of affected securities, except that in the case of a rights offering made to holders of affected securities, an interested party may provide a stand-by commitment, and take up securities under the stand-by commitment, in accordance with the terms of Commission Policy No. 6.2 Rights Offerings or a successor rule.

6. Negotiated Transaction with Arm's Length Controlling Shareholder - The interested party beneficially owns, or exercises control or direction over, voting securities of the issuer that carry fewer voting rights than the voting securities beneficially owned, or over which control or direction is exercised, by another securityholder of the issuer whose holding affects materially the control of the issuer and who, in the circumstances of the transaction

(a) is not also a party to the transaction,

(b) is dealing at arm's length with the interested party,

(c) supports the transaction, and

(d) is treated identically to all other holders in Canada of affected securities and does not receive, directly or indirectly, as a consequence of the transaction a benefit that is not also received on a pro rata basis by all other holders of affected securities.

7. Bankruptcy, Insolvency or Reorganization - If

(a) the transaction is subject to court approval under

(i) the Bankruptcy and Insolvency Act (Canada) or the Companies' Creditors Arrangement Act (Canada),

(ii) section 191 of the Canada Business Corporations Act (Canada), or

(iii) bankruptcy or insolvency laws of another jurisdiction or foreign jurisdiction that are applicable to the transaction,

(b) the issuer advises the court of the requirements of this Rule, and

(c) the court does not require compliance with section 5.5.

8. Financial Hardship - If

(a) the issuer is insolvent or in serious financial difficulty,

(b) the transaction is designed to improve the financial position of the issuer,

(c) paragraph 7 is not applicable, and

(d) the board of directors of the issuer, acting in good faith, determines, and not less than two-thirds of the independent directors of the issuer, acting in good faith, determine, that

(i) paragraphs (a) and (b) apply, and

(ii) the terms of the transaction are reasonable in the circumstances of the issuer.

9. Transaction with Wholly-owned Subsidiary Entity - The transaction is between

(a) an issuer and one or more wholly-owned subsidiary entities of the issuer and no other person or company,

(b) an issuer that is, directly or indirectly, a wholly-owned subsidiary entity of another issuer and that issuer and no other person or company, or

(c) two or more wholly-owned subsidiary entities of the issuer and no other person or company.

10. Transaction with an Interested Party involving another Related Party - If paragraph 9 does not apply, the transaction is between an issuer and an interested party described in paragraph (c) of the definition of related party, without taking into account securities beneficially owned by an affiliated entity of the issuer that is not a subsidiary entity of the issuer if, to the knowledge of the issuer after reasonable inquiry, no other related party of the issuer other than a wholly-owned subsidiary entity of the issuer either

(a) beneficially owns, or exercises control or direction over, other than through the related party's interest in the issuer, securities in the interested party that

(i) constitute more than five percent of the securities of a class of the interested party, or

(ii) could reasonably be expected to result in the related party exercising control or influence over the issuer so as to benefit the interested party, or

(b) receives, directly or indirectly, as a consequence of the transaction, other than through its security holding in the interested party referred to in subparagraph (a), a benefit that is not also received on a pro rata basis by all other holders of affected securities.

11. Loan on Commercial Terms - The transaction is

(a) a loan, or the creation of, or an advance under, a credit facility

(i) that is obtained by the issuer from an interested party on reasonable commercial terms that are not less advantageous to the issuer than if the loan or credit facility were obtained from a person or company dealing at arm's length with the issuer

(ii) that is not, directly or indirectly, convertible into or exchangeable for participating securities or voting securities of the issuer or a subsidiary entity of the issuer and is not otherwise participating in nature or accompanied by rights to acquire participating or voting securities of the issuer or a subsidiary entity of the issuer, and

(iii) for which neither principal nor interest is payable, directly or indirectly, in participating securities or voting securities of the issuer or a subsidiary entity of the issuer, or

(b) a payment in cash by the issuer to that interested party as payment under the loan or credit facility referred to in paragraph (a).

12. Amalgamation with No Adverse Effect on Issuer or Minority - The transaction is a statutory amalgamation between the issuer or a wholly-owned subsidiary entity of the issuer and an interested party that is undertaken in whole or in part for the benefit of another related party, if

(a) the transaction does not and will not have any adverse tax or other consequences to the issuer, a company resulting from the amalgamation or beneficial owners of affected securities generally,

(b) no material actual or contingent liability of the interested party with which the issuer or a wholly-owned subsidiary entity of the issuer is amalgamating will be assumed by the issuer, the wholly-owned subsidiary entity of the issuer or a successor to the issuer,

(c) the related party agrees to indemnify the issuer against any and all liabilities of the interested party with which the issuer, or a wholly-owned subsidiary entity of the issuer is amalgamating,

(d) after the transaction, the nature and extent of the equity participation of holders of affected securities in the amalgamated entity will be the same as, and the value of their equity participation will not be less than, the value of their interest in the issuer before the transaction, and

(e) the related party pays for all of the costs and expenses of or relating to or resulting from the transaction.

13. Transaction Size - The transaction is one in which, at the date the transaction is agreed to

(a) neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction is $500,000 or more, or

(b) if either of the values referred to in subparagraph (a) is not readily determinable, the board of directors of the issuer that is the subject of the related party transaction, acting in good faith, determines that the value referred to in subparagraph (a) that is not readily determinable is less than $500,000.

14. Distribution of Listed Securities - The transaction involves a distribution by an issuer of its securities to an interested party for cash consideration, if

(a) the securities have been listed and posted for trading on The Toronto Stock Exchange, The Montreal Exchange or the Canadian Venture Exchange or any predecessor market to those stock exchanges for the 12 months immediately preceding the date that the transaction is agreed to,

(b) a liquid market for the securities exists,

(c) neither the issuer nor, to the knowledge of the issuer after reasonable inquiry, the interested party has knowledge of any material non-public information concerning the issuer or its securities that has not been generally disclosed, and the disclosure document for the related party transaction includes a statement to that effect, and

(d) the disclosure document for the related party transaction includes a description of the effect of the distribution on the direct or indirect voting interest of the interested party.

15. Asset Resale - The subject matter of the related party transaction was acquired by the issuer or an interested party, as the case may be, in a prior transaction with a person or company acting at arm's length that was agreed to not more than 12 months before the date that the related party transaction is agreed to and a qualified valuator, independent of all interested parties to the transaction, as determined in accordance with section 6.1, provides a written opinion that, after making such adjustments, if any, as the valuator considers appropriate in the exercise of the valuator's professional judgment

(a) the value of the consideration payable by the issuer for the subject matter of the related party transaction is not more than the value of the consideration paid by the interested party in the prior arm's length transaction, or

(b) the value of the consideration to be received by the issuer for the subject matter of the related party transaction is not less than the value of the consideration paid by the issuer in the prior arm's length transaction.

16. Non-redeemable Investment Fund - The issuer is a non-redeemable investment fund that

(a) at least once each quarter calculates and publicly disseminates the net asset value of its securities, and

(b) at the time of announcing the related party transaction, publicly disseminates the net asset value of its securities as at the business day before announcing the related party transaction.

5.7 Minority Approval - Subject to section 5.8, an issuer shall not carry out a related party transaction unless minority approval for the related party transaction has been obtained under Part 8.

5.8 Exemptions from Minority Approval

(1) Section 5.7 does not apply to an issuer in connection with a related party transaction in any of the following circumstances if the facts supporting reliance upon an exemption are disclosed in both the material change report referred to in section 5.2 and the information circular referred to in paragraph (b) of subsection 5.4(1):

1. Discretionary Exemption - The issuer has been granted an exemption from section 5.7 under section 9.1.

2. Fair Market Value not more than 25 Percent of Market Capitalization - The circumstances described in paragraph 2 or 3 of section 5.6.

3. Other Transactions Exempt from Formal Valuation - The circumstances described in paragraph 4, 5, 6, 9, 10, 11 or 12 of section 5.6.

4. Bankruptcy - The circumstances described in subparagraphs 7(a) and 7(b) of section 5.6, if the court does not require compliance with section 5.7.

5. Financial Hardship - The circumstances described in paragraph 8 of section 5.6, if there is no other requirement, corporate or otherwise, to hold a meeting to obtain any approval of the holders of any class of affected securities.

6. 90 Percent Exemption - Subject to subsection (2), one or more interested parties beneficially owns 90 percent or more of the outstanding securities of a class of affected securities at the time that the related party transaction is proposed and either

(a) an appraisal remedy is available to holders of the class of affected securities under the statute under which the issuer is organized or is governed as to corporate law matters, or

(b) if the appraisal remedy referred to in subparagraph (a) is not available, holders of the class of affected securities are given an enforceable right that is substantially equivalent to the appraisal remedy provided for in subsection 185(4) of the OBCA and that is described in an information circular or other document sent to securityholders in connection with a meeting to approve the related party transaction.

(2) If there are two or more classes of affected securities, paragraph 6 of subsection (1) applies only to a class for which the interested party beneficially owns, or the interested parties beneficially own, 90 percent or more of the outstanding securities of the class.

PART 6 FORMAL VALUATIONS AND PRIOR VALUATIONS

6.1 Independence

(1) Every formal valuation required by this Rule for a transaction shall be prepared by an independent valuator for the transaction having appropriate qualifications.

(2) Subject to subsections (3), (4) and (5), it is a question of fact as to whether

(a) a valuator is independent of an interested party;

(b) a person or company is independent of an interested party, for the purpose of subparagraph (b)(ii) of subsection 1.3(1); and

(c) a valuator or a person or company referred to in paragraph (b) has appropriate qualifications.

(3) A valuator or a person or company referred to in paragraph (2)(b) is not independent of an interested party in connection with a transaction if

(a) the valuator or the person or company or an affiliated entity of either of them is an issuer insider, associate or affiliated entity of the interested party;

(b) except in the circumstances described in paragraph (e), and subject to subsection (5), the valuator or the person or company or an affiliated entity of either of them acts as an adviser to the interested party in respect of the transaction;

(c) the compensation of the valuator or the person or company or an affiliated entity of either of them depends in whole or in part upon an agreement, arrangement or understanding that gives the valuator or person or company or affiliated entity of either of them a financial incentive in respect of the conclusions reached in the formal valuation or opinion or the outcome of the transaction;

(d) the valuator or the person or company or an affiliated entity of either of them is

(i) a manager or co-manager of a soliciting dealer group formed in respect of the transaction, or

(ii) a member of the soliciting dealer group, if the valuator or person or company or affiliated entity of either of them, in its capacity as a soliciting dealer, performs services beyond the customary soliciting dealer's function or receives more than the per security or per securityholder fees payable to other members of the group;

(e) the valuator or the person or company is the independent auditor of the issuer or of an interested party, or the valuator or person or company is an affiliated entity of the auditor, unless neither the valuator nor the person or company nor an affiliated entity of either of them will be the independent auditor of the issuer or an interested party upon completion of the transaction and that fact has been publicly disclosed; or

(f) the valuator or the person or company or an affiliated entity of either of them has a material financial interest in the completion of the transaction.

(4) A valuator or a person or company referred to in paragraph (2)(b) that is paid by one or more interested parties to a transaction or is paid jointly by the issuer and one or more interested parties to a transaction to prepare a formal valuation for a transaction or to provide the opinion referred to in subparagraph (b)(ii) of subsection 1.3(1) for a transaction is not, by virtue of that fact alone, not independent.

(5) For the purpose of paragraph (3)(b), a valuator or a person or company referred to in paragraph (2)(b) that is retained by an issuer to prepare a formal valuation for an issuer bid or to provide the opinion referred to in subparagraph (b)(ii) of subsection 1.3(1) for an issuer bid is not, by virtue of that fact alone, considered to be an adviser to the interested party in respect of the transaction.

6.2 Disclosure Re Valuator - An issuer or offeror required to obtain a formal valuation in respect of a transaction or that relies on an opinion referred to in subparagraph (b)(ii) of subsection 1.3(1) or paragraph 15 of section 5.6 shall include in the disclosure document for the transaction

(a) a statement that the valuator or the person or company has been determined to be qualified and independent;

(b) a description of any past, present or anticipated relationship between the valuator or the person or company and the issuer or an interested party that may be relevant to a perception of lack of independence;

(c) a description of the compensation paid or to be paid to the valuator or the person or company;

(d) a description of any other factors relevant to a perceived lack of independence of the valuator or the person or company;

(e) the basis for determining that the valuator or the person or company is qualified; and

(f) the basis for determining that the valuator or the person or company is independent, despite any perceived lack of independence, including the amount of the compensation or other factors referred to in paragraphs (b) and (d).

6.3 Subject Matter of Formal Valuation

(1) An issuer or offeror required to obtain a formal valuation under this Rule shall provide the valuation in respect of

(a) the offeree securities, in the case of an insider bid or issuer bid;

(b) the affected securities, in the case of a going private transaction;

(c) the subject matter of the transaction, in the case of a related party transaction; and

(d) except as provided in subsection (2), any non-cash consideration being offered in or forming part of the transaction.

(2) A formal valuation of non-cash consideration is not required if

(a) the non-cash consideration consists of securities of a class of an issuer for which a liquid market exists;

(b) the securities offered as non-cash consideration

(i) constitute 10 percent or less of the aggregate number of securities of the class that are issued and outstanding immediately before the distribution of the securities offered as non-cash consideration, and

(ii) are freely tradeable;

(c) the valuator is of the opinion that a valuation of the non-cash consideration is not required; and

(d) the issuer or offeror required to obtain the formal valuation states in the disclosure document for the transaction that the issuer or offeror has no knowledge of any material non-public information concerning the issuer of the securities or its securities that has not been generally disclosed.

6.4 Preparation of Formal Valuation

(1) A person or company preparing a formal valuation under this Rule shall

(a) prepare the formal valuation in a diligent and professional manner;

(b) prepare the formal valuation as of an effective date that is not more than 120 days before the earlier of

(i) the date that a disclosure document for the transaction is first sent to securityholders, if applicable, and

(ii) the date that a disclosure document is filed;

(c) make appropriate adjustments in the formal valuation for material intervening events of which it is aware between the effective date of the valuation and the earlier of the dates referred to in paragraph (b);

(d) in determining fair market value of securities, not include in the formal valuation a downward adjustment to reflect the liquidity of the securities, the effect of the transaction on the securities or the fact that the securities do not form part of a controlling interest; and

(e) provide sufficient disclosure in the formal valuation to allow the beneficial owners of the securities to understand the principal judgments and principal underlying reasoning of the valuator so as to form a reasoned judgment of the valuation opinion or conclusion.

(2) National Instrument 52-101 Future Oriented Financial Information does not apply to a formal valuation for which financial forecasts and projections are relied upon and disclosed.

6.5 Summary of Formal Valuation

(1) An issuer or offeror that is required by this Rule to provide a summary of a formal valuation shall ensure that the summary provides sufficient detail to allow the beneficial owners of the securities to understand the principal judgments and principal underlying reasoning of the valuator so as to form a reasoned judgment of the valuation opinion or conclusion.

(2) In addition to the disclosure referred to in subsection (1), if an issuer or offeror is required by this Rule to provide a summary of a formal valuation, the issuer or offeror shall ensure that the summary

(a) discloses

(i) the valuation date, and

(ii) any distinctive material benefit that might accrue to an interested party as a consequence of the transaction, including the earlier use of available tax losses, lower income taxes, reduced costs or increased revenues;

(b) if the formal valuation differs materially from a prior valuation, explains the differences between the two valuations or, if it is not practicable to do so, the reasons why it is not practicable to do so;

(c) indicates an address where a copy of the formal valuation is available for inspection; and

(d) states that a copy of the formal valuation will be sent to any securityholder upon request and without charge.

6.6 Filing of Formal Valuation

(1) An issuer or offeror required to obtain a formal valuation in respect of a transaction shall file a copy of the formal valuation

(a) concurrently with the sending of the disclosure document for the transaction to securityholders; or

(b) concurrently with the filing of a material change report for a related party transaction for which no disclosure document is sent to securityholders, or if the formal valuation is not available at the time of filing the material change report, as soon as the formal valuation is available.

(2) If the formal valuation is included in its entirety in a disclosure document, an issuer or offeror satisfies the requirement in subsection (1) by filing the disclosure document.

6.7 Valuator's Consent - An issuer or offeror required to obtain a formal valuation shall

(a) obtain the valuator's consent to its filing and to the inclusion of the formal valuation or disclosure of a summary of the formal valuation in the disclosure document for the transaction for which the formal valuation was obtained; and

(b) include in the disclosure document a statement signed by the valuator substantially as follows:

We refer to the formal valuation dated , which we prepared for (indicate name of the person or company) for (briefly describe the transaction for which the formal valuation was prepared). We consent to the filing of the formal valuation with the Ontario Securities Commission and the inclusion of [a summary of the formal valuation/the formal valuation] in this document.

6.8 Disclosure of Prior Valuation

(1) A person or company required to disclose a prior valuation shall, in the document in which the person or company is required to disclose the prior valuation

(a) disclose sufficient detail to enable beneficial owners of securities to understand the prior valuation and its relevance to the present transaction;

(b) indicate an address where a copy of the prior valuation is available for inspection; and

(c) state that a copy of the prior valuation will be sent to any securityholder upon request and without charge.

(2) If there are no prior valuations, the existence of which is known after reasonable inquiry, the person or company preparing the document in which the person or company would be required to disclose the prior valuation, if one existed, shall include a statement to that effect in the document.

(3) Despite anything to the contrary contained in this Rule, disclosure of a prior valuation is not required in a document if

(a) the contents of the prior valuation are not known to the person or company required under this Rule to disclose the prior valuation;

(b) the prior valuation is not reasonably obtainable by the person or company referred to in paragraph (a), irrespective of any obligations of confidentiality; and

(c) the document contains statements in respect of the prior valuation substantially to the effect of paragraphs (a) and (b).

6.9 Filing of Prior Valuation - An issuer or offeror required to disclose a prior valuation shall file a copy of the prior valuation concurrently with the filing of the document to which the prior valuation relates.

PART 7 INDEPENDENT DIRECTORS

7.1 Independent Directors

(1) Subject to subsections (2) and (3), it is a question of fact as to whether a director of an issuer is independent.

(2) A director of an issuer is not independent in connection with a transaction if

(a) the director is currently, or has been at any time during the 12 months before the date of the transaction, an employee, issuer insider or associate of an interested party or an affiliated entity of an interested party, other than solely in his or her capacity as a director of the issuer;

(b) the director is currently, or has been at any time during the 12 months before the date of the transaction, an adviser to an interested party in connection with the transaction, an employee, issuer insider or associate of any person or company acting as an adviser to an interested party in connection with the transaction or an affiliated entity of the adviser, other than solely in his or her capacity as a director of the issuer;

(c) the director has a material financial interest in an interested party or an affiliated entity of an interested party or it is anticipated that the director will, in the event that the transaction is successful, be provided with the opportunity to obtain a material financial interest in an interested party, an affiliated entity of the interested party, or in the issuer; or

(d) the director would reasonably be expected to receive a benefit as a consequence of the transaction that is not also received on a pro rata basis by all other beneficial owners in Canada of affected securities.

(3) For the purposes of this section, in the case of an issuer bid, a director of the issuer is not, by that fact alone, not independent of the issuer.

PART 8 MINORITY APPROVAL

8.1 From Holders of Affected Securities

(1) Subject to subsection (2), if minority approval is required for a going private transaction or related party transaction, it shall be obtained from the holders of every class of affected securities of the issuer, in each case voting separately as a class.

(2) If minority approval is required for a going private transaction or a related party transaction and the transaction would affect a particular series of a class of affected securities of the issuer in a manner different from other securities of the class, then the holders of the series shall be entitled to vote separately as a series.

(3) In determining minority approval for a going private transaction or a related party transaction, an issuer shall exclude the votes attached to affected securities that, to the knowledge of the issuer or any interested party or their respective directors or senior officers, after reasonable inquiry, are beneficially owned or over which control or direction is exercised by

(a) the issuer;

(b) subject to section 8.2, an interested party, unless, in the context of a related party transaction, the interested party is treated identically to all other holders in Canada of affected securities and does not receive, directly or indirectly, as a consequence of the transaction, consideration of greater value than that received by all other holders of affected securities;

(c) a related party of an interested party, unless

(i) the related party is a director of the issuer who is independent of the interested party, or

(ii) in the context of a related party transaction, the related party and interested party are treated identically to all other holders in Canada of affected securities and do not receive, directly or indirectly, as a consequence of the transaction, consideration of greater value than that received by all other holders of affected securities and the related party of an interested party does not hold, directly or indirectly, whether alone or jointly or in concert with others, securities of more than one party to the transaction sufficient to affect materially the control of such parties; and

(d) a person or company acting jointly or in concert with a person or company referred to in paragraph (b) or (c) in respect of the transaction.

8.2 Multi-Step Transactions - Despite paragraphs (b) and (c) of subsection 8.1(3), the votes attached to securities tendered to a formal bid may be included as votes in favour of a subsequent going private transaction in the determination of whether the requisite minority approval has been obtained if

(a) the securityholder tendering the securities

(i) did not receive

(A) a consideration per security that is not identical in amount and type to that paid to all other beneficial owners in Canada of affected securities of the same class, or

(B) consideration of greater value than that paid to all other beneficial owners of affected securities of the same class, or

(ii) upon completion of the transaction, did not beneficially own, or exercise control or direction over, participating securities of a class other than affected securities;

(b) the going private transaction is completed no later than 120 days after the date of expiry of the formal bid;

(c) the going private transaction is proposed by the offeror who made the formal bid or an affiliated entity of the offeror and involves the outstanding securities of the same class that were the subject of the formal bid and that were not acquired by the offeror under the formal bid;

(d) the consideration per security in the subsequent going private transaction is

(i) at least equal in value to the consideration per security in the formal bid paid by the offeror, and

(ii) in the same form as the consideration per security in the formal bid, and if the consideration paid consisted of securities of the person or company, consists of the same securities; and

(e) the disclosure document for the formal bid

(i) disclosed the intent to effect the subsequent transaction,

(ii) contained a summary of a formal valuation of the securities in accordance with the applicable provisions of Part 6, or contained the valuation in its entirety, if the offeror in the formal bid was subject to and not exempt from the requirement to obtain a formal valuation,

(iii) identified the securities, if known to the offeror after reasonable inquiry, the votes attached to which would be required to be excluded in the determination of whether the requisite minority approval of the subsequent transaction had been obtained,

(iv) stated that the subsequent transaction would be subject to minority approval,

(v) identified each class of securities, the holders of which would be entitled to vote separately as a class on the subsequent transaction,

(vi) described the tax consequences of both the formal bid and the subsequent going private transaction, if, at the time of making the formal bid, the tax consequences arising from the subsequent going private transaction

(A) were known or reasonably foreseeable to the offeror, and

(B) were reasonably expected to be different from the tax consequences of tendering to the formal bid, and

(vii) disclosed that the tax consequences of the formal bid and the subsequent going private transaction may be different, if, at the time of making the formal bid, the offeror did not know or could not reasonably foresee the tax consequences arising from the subsequent going private transaction.

PART 9 EXEMPTION

9.1 Exemption - The Director may grant an exemption to this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 10 EFFECTIVE DATE

10.1 Effective Date - This Rule comes into force on May 1, 2000.