



**RENEWAL**  
**ANNUAL INFORMATION FORM**  
**MARCH 30, 2007**

# **BAM INVESTMENTS CORP.**

## **RENEWAL ANNUAL INFORMATION FORM**

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# **BAM INVESTMENTS CORP.**

## **RENEWAL ANNUAL INFORMATION FORM**

### **Corporate Profile**

A predecessor of BAM Investments Corp. (“BAM Investments” or the “Corporation”) was incorporated under the *Business Corporations Act* (Ontario) (the “OBCA”) by a certificate and articles of incorporation dated April 18, 1978 and commenced operations on August 14, 1986. BAM Investments (at that time “The International Pagurian Corporation Limited”) was amalgamated under the OBCA by a certificate and articles of amalgamation dated March 30, 1988. The articles of the Corporation have been amended from time to time to change its name and capital structure, most recently on July 5, 2006 changing its name from BNN Investments Ltd. to BAM Investments Corp. and increasing the maximum number of authorized Preferred shares from 50,000,000 to an unlimited number.

The articles of the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com). The registered and principal office of BAM Investments is Suite 300, BCE Place, 181 Bay Street, Toronto, Ontario, M5J 2T3.

BAM Investments is an investment holding company. Its principal business mandate is to provide its holders of Common shares with an appropriately leveraged investment in the Class A Limited Voting shares (“Class A shares”) of Brookfield Asset Management Inc. (“Brookfield”). Brookfield’s Class A shares trade on the Toronto and New York stock exchanges under the symbol “BAM”. Information relating to Brookfield can be found in its most recent Annual Information Form on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Subsidiaries**

BAM Split Corp. (“BAM Split”), a corporation incorporated under the laws of Ontario, is the only operating subsidiary of the Corporation. The Corporation owns 100% of the outstanding voting securities, all of the Capital shares and 1,348,000 Class AA Preferred shares, Series 2 of BAM Split. Information relating to BAM Split can be found in its most recent Annual Information Form on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Recent Developments**

The following is a summary of developments since January 1, 2004.

In January 2007, the Corporation redeemed its 1,965,384 Series II Preferred shares for \$65 million.

On December 29, 2006, the Corporation announced an amendment to its financial statements to record securities purchased from a shareholder in 2006 and 2004 at an amount equal to the book value of the shares in the accounts of the vendor as opposed to an amount equal to the transaction value established at the time, which is the basis on which the statements were initially filed, because it was determined that the change in ownership was not substantive. This required conforming changes to the book value of common shares issued as consideration for the securities purchased, as well as amounts recorded in respect of future tax items. The changes are detailed in the amended financial statements available on SEDAR at [www.sedar.com](http://www.sedar.com).

On December 20, 2006, the Corporation announced it had agreed to a private placement of \$193.2 million principal amount of 25-year debentures due January 2032 exchangeable into 3,534,000 Class A shares of Brookfield (the “Exchangeable Debenture”). As security for the Exchangeable Debenture, the Corporation agreed to pledge 3,534,000 Class A shares of Brookfield to the holders of the Exchangeable Debenture. In a separate transaction, BAM Split agreed to issue 8,000,000 Class AA preferred shares, Series 3 to a syndicate of underwriters for proceeds (net of issue costs) of approximately \$193 million, which were used to acquire 3,534,000 Class A shares. Both of these transactions closed on January 10, 2007, following which the Corporation held 40,511,485 Class A shares.

On August 18, 2006, the Corporation received approval from the Toronto Stock Exchange (“TSX”) for its proposed normal course issuer bid to purchase up to 366,000 common shares, representing approximately 10% of the public float of its currently outstanding common shares. The bid commenced on August 23, 2006 and will terminate on or before August 22, 2007. As of the date of this Annual Information Form, no shares have been purchased under this bid.

On July 21, 2006 the Corporation purchased 10,496,485 Class A shares from Partners Limited (“Partners”) for consideration consisting of a \$72 million 6% promissory note of the Corporation due June 30, 2011 and 2,507,973 Common shares of the Corporation issued to Partners (the “2006 Transaction”). As a result, the Corporation’s effective interest in Brookfield increased to 36,977,485 Class A shares. The promissory note was repaid in January 2007.

On July 5, 2006, the Corporation changed its name from BNN Investments Ltd. to BAM Investments Corp. to reflect the new ticker symbol, BAM, of its major investment, Brookfield.

On April 4, 2006, Brookfield split its outstanding Class A shares on a three-for-two basis. The split was implemented by way of a stock dividend whereby shareholders, including BAM Investments, received one-half of a Class A share for each Class A share held. In addition, Brookfield increased its quarterly dividend on a post-split basis from US\$0.11 per share to US\$0.16 per share, commencing with the May 31, 2006 dividend.

On August 23, 2005, the Corporation received approval from the TSX for its proposed normal course issuer bid to purchase up to 294,000 Common shares, representing approximately 10% of the public float of its currently outstanding Common shares, which expired on August 22, 2006. During this period, the company repurchased and cancelled 5,000 Common shares at an average price per share of \$93.92 through the facilities of the TSX under this bid.

Under the Corporation’s previous normal course issuer bid, which commenced on August 12, 2004 and expired on August 11, 2005, the Corporation acquired and cancelled 10,500 Common shares at an average price per share of \$78.84 through the facilities of the TSX.

On June 1, 2004, Brookfield split its Class A shares on a three-for-two basis, implemented by way of a stock dividend.

On March 25, 2004, the Corporation completed the following transactions: (i) the acquisition of 3.0 million Class A shares; (ii) the issuance by BAM Split of \$80 million of fixed-rate Preference shares; (iii) the issuance of \$61.7 million of Common shares and \$5.8 million of Preferred shares; and (iv) the repayment of \$10 million of loans payable and the repurchase of \$20 million of the Corporation’s Series II Preference shares.

## Business of the Corporation

BAM Investments is an investment holding company. Its principal business mandate is to provide its holders of Common shares with an appropriately leveraged investment in Brookfield Class A shares. As of the date of this Annual Information Form, the Corporation's investment in Brookfield consists of 40,511,485 Class A shares, representing an approximate 10.4% equity interest in Brookfield. The Corporation's net beneficial interest, taking into account the issuance by the Corporation of \$193,000,000 debentures exchangeable into 3,534,000 Class A shares, is 36,977,485 Class A shares, representing a 9.1% fully-diluted equity interest.

Brookfield's financial results for the three years ended December 31, 2006, expressed in U.S. dollars, are shown in the following table:

<i>US\$ millions</i>	<b>2006</b>	2005	2004
Total assets	<b>\$ 40,708</b>	\$ 26,058	\$ 20,007
Cash flow from operations	<b>1,801</b>	908	626
Net income	<b>1,170</b>	1,662	555

Further information on Brookfield is available from the Secretary of the Corporation and from that company's Annual Information Form and Annual Report, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on Brookfield's web site at [www.brookfield.com](http://www.brookfield.com).

## Description of Share Capital

The authorized share capital of the Corporation currently consists of an unlimited number of Common shares and an unlimited number of Preferred shares, issuable in series. As at February 28, 2007, there were 23 Series V Preferred shares and 7,491,897 Common shares issued and outstanding. The Corporation's Series II Preferred shares were redeemed in January 2007.

### *Common Shares*

#### *Priority*

The Common shares rank junior to the Preferred shares with respect to payment of dividends (other than stock dividends) and in the distribution of assets in the event of a dissolution, liquidation or winding-up of the Corporation, or any other distribution of the assets of the Corporation for the purpose of winding-up its affairs. After payment to the holders of the Preferred shares, the holders of the Common shares are entitled to receive the remaining property of the Corporation on dissolution, liquidation or winding-up.

#### *Voting*

The Common shares are entitled to receive notice of and to attend and to cast one (1) vote for each Common share held at all meetings of the shareholders of the Corporation, other than a meeting at which only the holders of any other specified class or series are entitled to notice, to attend or to vote, as the case may be.

## ***Preferred Shares***

### ***Priority Dividends***

With respect to the payment of dividends, the Preferred shares of each series are entitled to preference over the Common shares and over any other shares of the Corporation ranking junior to the Preferred shares.

### ***Parity of Series***

The Preferred shares of each series rank on a *pari passu* basis with all other Preferred shares with respect to the payment of dividends and distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation; provided, however, that in case such assets are insufficient to fully pay the amount due on all the Preferred shares, then such assets shall be applied, firstly, to the payment equally and rateably of an amount equal to the redemption price and the premium payable thereon, if any, and, secondly, *pro rata* in the payment of accrued and unpaid cumulative dividends and declared but unpaid non-cumulative dividends.

### ***Approval***

Any approval to be given by the holders of Preferred shares as a class or of any series thereof, as the case may be, shall be deemed to have been sufficiently given if it shall have been given in writing by the holders of at least 66 ⅔% of the outstanding Preferred shares or any series thereof or by a resolution passed at a meeting of holders of Preferred shares or any series thereof duly called and held at which the holders of at least a majority of the outstanding Preferred shares or any series thereof are present or are represented by proxy and carried by the affirmative vote of not less than 66 ⅔% of the votes cast at such meeting or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Preferred shares then present would form the quorum.

## ***Series V Preferred Shares Rights***

### ***Dividends***

The holders of the Series V Preferred shares are entitled to receive, fixed, cumulative, preferential dividends at the rate of seven percent (7%) per annum per Series V Preferred share payable quarterly on the last day of March, June, September and December in each year.

### ***Voting***

Except as required by law, the holders of the Series V Preferred shares as a series shall not be entitled as such to receive notice of, to attend or to vote at any meeting of the shareholders of the Corporation.

### ***Retraction Privilege***

Holders of Series V Preferred shares after the date of issue shall be entitled to require the Corporation to redeem any of the Series V Preferred shares registered in the name of such holder (upon giving 45 days' notice to the Corporation of such redemption, a price equal to \$250,000 per share, together with all accrued and unpaid dividends up to the date of redemption, will be payable 45 days after the Corporation receives such notice of redemption from the holder).

### ***Redemption Price***

The Series V Preferred shares are redeemable in whole or in part at a redemption price per Series V Preferred share of \$250,000 together with all accrued and unpaid dividends thereon to the date of redemption.

### *Modifications*

The rights, privileges, restrictions and conditions attached to the Series V Preferred shares may be added to, changed or removed by certificate and articles of amendment but only with the approval of the holders of the Series V Preferred shares.

### **Dividend Policy**

The Corporation does not currently pay dividends on its Common shares. The dividends payable on the Corporation's Series V Preferred shares are noted above. The following are the aggregate dividends paid per share on the Corporation's shares in the previous three fiscal years.

<b>Security</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Series II Preferred shares <sup>(a)</sup>	<b>\$2.28</b>	\$2.28	\$2.28
Series V Preferred shares	<b>\$17,500.00</b>	\$17,500.00	\$17,500.00

*(a) The Series II Preferred shares were redeemed in January 2007.*

### **Market for Securities**

The Common shares of BAM Investments are listed and posted for trading on the Toronto Stock Exchange, under the symbol "BNB". The following sets out trading information for 2006 for the Common shares, based on information provided by the Toronto Stock Exchange.

#### **TRADING SUMMARY FOR BNB**

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume Traded</b>	<b>Value Traded</b>
	( \$ )	( \$ )	( # )	( \$ )
January 2006	124.50	119.00	2,451	296,228.80
February 2006	130.00	124.00	6,606	835,458.75
March 2006	139.75	123.00	8,273	109,1301.2
April 2006	154.00	138.50	10,794	1,612,031.75
May 2006	156.50	144.00	7,247	1,098,842.95
June 2006	159.95	135.00	9,842	1,470,551.86
July 2006	160.00	149.95	5,357	826,681.75
August 2006	175.00	162.00	9,431	1,613,599.45
September 2006	185.00	172.00	20,857	3,731,030.69
October 2006	190.00	175.00	19,666	3,572,847.45
November 2006	296.00	185.00	23,262	5,123,218.47
December 2006	305.00	241.00	14,918	4,232,084.69

The Corporation's Series V Preferred shares are not listed or quoted on a recognized exchange.

## Directors and Officers

The following individuals are the directors and officers of BAM Investments:

Name and Municipality of Residence	Position with the Corporation	Year First Elected	Principal Occupation
<b>Howard Driman</b> <sup>(1,2)</sup> Thornhill, Ontario, Canada	Director	2007 <sup>(3)</sup>	Director of Finance UIA Federations Canada <i>(a national fundraising and community planning organization)</i>
<b>Brian D. Lawson</b> Toronto, Ontario, Canada	Director and President	1991	Managing Partner and Chief Financial Officer Brookfield Asset Management Inc. <i>(a global asset management company)</i>
<b>R. Frank Lewarne</b> <sup>(1,2)</sup> Etobicoke, Ontario, Canada	Director	1990	Corporate Director
<b>Frank N.C. Lochan</b> Oakville, Ontario, Canada	Director and Chairman	1998	Corporate Director
<b>Ralph Zarboni</b> <sup>(1,2)</sup> North York, Ontario, Canada	Director	1999	Chairman and Chief Executive Officer The EM Group Inc. <i>(a plastics and electric products distribution company)</i>
<b>Sachin G. Shah</b> Toronto, Ontario, Canada	Vice-President, Finance	—	Vice-President, Finance Brookfield Asset Management Inc.
<b>Loretta M. Corso</b> North York, Ontario, Canada	Secretary	—	Assistant Secretary, Brookfield Asset Management Inc.

### Notes:

<sup>(1)</sup> Member of the Audit Committee

<sup>(2)</sup> Member of the Corporate Governance Committee

<sup>(3)</sup> Mr. Driman was appointed to the board of directors on March 21, 2007

All of the above named directors, except for Mr. Howard Driman, were elected at the Annual and Special Meeting of Shareholders held June 30, 2006 to serve as directors of the Corporation until the next annual meeting of shareholders or until their successors are elected or appointed. Mr. Driman was appointed to the board of directors on March 21, 2007.

All of the directors and officers of BAM Investments have held their present business occupations throughout the past five years, except as follows. Prior to September 2005, Mr. Lochan was Executive Vice-President, Taxation, for Brookfield Asset Management Inc. Mr. Shah and Ms. Corso were appointed to their current positions in May 2005 and May 2003, respectively.

The directors and executive officers of BAM Investments, as a group, beneficially own, directly or indirectly, or exercise control or direction over approximately 5% of the Common shares of BAM Investments.



## **Risk Factors**

The following are risk factors relating to an investment in the Preferred shares and Common shares of the Company.

### ***Fluctuations in Value of Investments***

The value of the Preferred shares and the Common shares may vary according to the value of the Class A shares. The value of the Class A shares may be influenced by factors not within the control of the company, including the financial performance of Brookfield, interest rates and other financial market conditions. As a result, the net asset value of the company may vary from time to time.

The future value of the Common shares will be largely dependent on the value of the securities of Brookfield (held directly and through the Corporation's ownership of BAM Split). A material adverse change in the business, financial conditions or results of operation of Brookfield will have a material adverse effect on the Common shares of the Corporation. In addition, the Corporation may incur additional financial leverage in order to acquire, directly or indirectly, additional securities issued by Brookfield, which would increase both the financial leverage of the Corporation and the dependency of the future value of the Common shares on the value of Brookfield securities.

### ***Foreign Currency Exposure***

Brookfield reports its results in United States dollars. Accordingly, the value of the Class A shares may vary from time to time with fluctuations in the exchange rate between Canadian and United States dollars. Also, Brookfield declares dividends in United States dollars, which are then converted to Canadian dollars for distribution to Canadian shareholders. Strengthening of the Canadian dollar relative to the United States dollar could reduce the amount of cash available to the company to pay dividends on its Preferred shares.

### ***Leverage***

The Corporation's assets are financed almost entirely with the Preferred shares. This results in significant financial leverage that will increase the sensitivity of the value of the Common shares and Preferred shares to change in values of the assets owned by the Corporation. A decrease in the value of the Corporation's investments will have a material adverse effect on the Corporation's business and financial conditions.

### ***Limitations on Liquidity of Class A Shares***

While the company's policy is to hold the Class A shares and not engage in trading, there may be circumstances in which the shares will have to be sold, including to fund retractions and redemptions of Preferred shares or Common shares. The Corporation's ability to sell a substantial portion of the Class A shares may be limited by resale restrictions under applicable securities laws which will affect when or to whom the Class A shares may be sold. Accordingly, if and when the company is required to sell, the liquidity of those Class A shares may be limited. This could affect the time it takes to sell the Class A shares and the price obtained by the Corporation for the Class A shares sold and in turn the retraction price of the Preferred shares and Common shares.

### ***No Ownership Interest***

An investment in Preferred shares or Common shares does not constitute an investment in the Class A shares. Holders of Preferred shares or Common shares will not own the Class A shares held by the Corporation or have any voting rights in respect of the Class A shares.

## Interest of Management and Others in Material Transactions

Partners own 49% of the Common shares and all of the voting Preferred shares. Partners is an investment holding company having 45 shareholders, with no one shareholder holding more than approximately a 17% effective interest in Partners. Officers and directors of Brookfield own all of the outstanding shares of Partners. Shareholders of Partners own an additional 41% of the Common shares. However, none of the officers and directors of Partners and none of the persons who own 10% or more of the outstanding shares of Partners owns, directly or indirectly, any of the Corporation's outstanding shares other than their indirect interest in the shares currently owned by Partners.

The 2006 Transaction constituted a related-party transaction for the purposes of Part 5 of Ontario Securities Commission Rule 61-501 and Part 5 of Regulation Q-27 of the Autorité des marchés financiers, as Partners is a control block holder of the Corporation and the value of the 2006 Transaction exceeded 25% of the Corporation's market capitalization. The Corporation complied with the valuation and minority approval requirements applicable to related party transactions, both of which were obtained prior to completion of the 2006 Transaction on July 21, 2006.

## Material Contracts

The share purchase agreement entered into in connection with the 2006 Transaction and the Exchangeable Debenture may be considered material contracts of the Corporation.

## Transfer Agent and Registrar

The transfer agent and registrar for the Corporation's Common shares is CIBC Mellon Trust Company, P.O. Box 7010, Adelaide Street Postal Station, Toronto, Ontario, M5C 2W9.

## External Auditor, Fees and Services

The external auditor of the Corporation is Deloitte & Touche LLP ("Deloitte & Touche"), Chartered Accountants, Suite 1400, BCE Place, 181 Bay Street, Toronto, Ontario, M5J 2V1. Deloitte & Touche is independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The following table provides information about the aggregate fees billed to the Corporation and its consolidated subsidiary for professional services rendered by Deloitte & Touche during 2006 and 2005:

<i>Years ended December 31 (thousands)</i>	<b>2006</b>	2005
Audit fees	<b>\$ 80</b>	\$ 85
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
	<b>\$ 80</b>	\$ 85

During 2006 and 2005, Deloitte & Touche performed only audit services for the Corporation. Audit services include services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements, including fees for services to perform an audit or review in accordance with generally accepted auditing standards. This category also includes services that generally only the external auditor reasonably can provide, including comfort letters, statutory audits, attest services, consents and assistance with and review of certain documents filed with securities regulatory authorities.

During 2006 and 2005, Deloitte & Touche performed no other services for the Corporation, including any audit-related services, tax services or other services.

### **Audit Committee Information**

The Audit Committee of the board of directors is responsible for monitoring the Corporation's systems and procedures for financial reporting and controls, reviewing all public disclosure documents containing financial information and monitoring the performance of the Corporation's external auditors. The Audit Committee is also responsible for reviewing the Corporation's quarterly and annual financial statements prior to their approval by the full board. The responsibilities of the Audit Committee are set out in the Audit Committee Charter, which is reviewed and approved annually by the Corporation's board of directors.

The Audit Committee Charter, as approved by the Company's board of directors on March 21, 2007, is included in Appendix A. This Charter contains specific policies and procedures for the engagement of non-audit services.

As at the date of this Renewal Annual Information Form, the Audit Committee is comprised of three directors, Messrs. Howard Driman, Frank Lewarne and Ralph Zarboni. The board of directors considers all these members of the Audit Committee to be independent directors and financially literate, based on their experience as executive officers of companies and non-profit organizations and their experience as members of audit committees.

### **Additional Information**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of BAM Investments' voting securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Corporation's most recent Management Information Circular dated March 23, 2007. Additional financial information is provided in BAM Investments' comparative financial statements and management's discussion and analysis for the year ended December 31, 2006. A copy of these documents may be obtained upon a request to the Secretary of the Corporation. Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## Appendix A

### AUDIT COMMITTEE CHARTER

A committee of the board of directors (the “board”) of BAM Investments Corp. (the “Corporation”) to be known as the Audit Committee (the “Committee”) shall have the following terms of reference:

#### Membership and Chairperson

Following each annual meeting of shareholders, the board of directors of the Corporation shall appoint from its number three or more directors (the “Members” and each a “Member”) to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the Member ceases to be a director, resigns or is replaced, whichever occurs first.

The Members will be selected by the board and any Member may be removed from office or replaced at any time by the board. All of the Members of the Committee will be Independent Directors unless exempt from the independence requirements set out in Multilateral Instrument 52-110 — *Audit Committees*. In addition, every Member will be Financially Literate. Members may not serve on more than two other public company audit committees, except with the prior approval of the board.

The board shall appoint one Member as the chairperson of the Committee. If the chairperson is absent from a meeting, the Members shall select a chairperson from those in attendance to act as chairperson of the meeting.

#### Responsibilities

The Committee shall:

- (a) oversee the work of the Corporation’s external auditor (the “auditor”) engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation;
- (b) review and evaluate the auditor’s independence, experience, qualifications and performance and determine whether the auditor should be appointed or re-appointed and nominate the auditor for appointment or re-appointment by the shareholders;
- (c) where appropriate, terminate the auditor;
- (d) when a change of auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of auditor required, and the orderly transition of such change;
- (e) review the terms of the auditor’s engagement and the appropriateness and reasonableness of the proposed audit fees;
- (f) at least annually, obtain and review a report by the auditor describing:
  - (i) the auditor’s internal quality-control procedures; and
  - (ii) any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body such as the Canadian Public Accountability board, or governmental or professional

authorities within the preceding five years respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;

- (g) at least annually, confirm that the auditor has submitted a formal written statement describing all of its relationships with the Corporation; discuss with the auditor any disclosed relationships or services that may affect its objectivity and independence; obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs and is an independent public accountant within the meaning of the Independence Standards of the Canadian Institute of Chartered Accountants; and, confirm that it has complied with applicable laws with the rotation of certain members of the audit engagement team;
- (h) review and evaluate the lead partner of the auditor;
- (i) ensure the regular rotation of the audit engagement team members as required by law, and periodically consider whether there should be regular rotation of the auditor firm;
- (j) meet privately with the auditor as frequently as the Committee feels is appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern to the Committee or the auditor, including:
  - (i) planning and staffing of the audit;
  - (ii) any material written communications between the auditor and management;
  - (iii) whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;
  - (iv) the extent to which the auditor is satisfied with the nature and scope of its examination;
  - (v) whether or not the auditor has received the full co-operation of management of the Corporation;
  - (vi) the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel;
  - (vii) the items required to be communicated to the Committee in accordance with generally accepted auditing standards;
  - (viii) all critical accounting policies and practices to be used by the Corporation;
  - (ix) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; and

- (x) any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with management and management's response;
- (k) pre-approve, to the extent permitted by law, the appointment of the auditor to provide any audit service or non-prohibited non-audit service to the Corporation or its subsidiary entities;
- (l) resolve any disagreements between management and the auditor regarding financial reporting;
- (m) review, and, where appropriate, recommend for approval by the board, the following:
  - (i) audited annual financial statements, in conjunction with the report of the external auditor;
  - (ii) interim financial statements;
  - (iii) annual and interim management discussion and analysis of financial condition and results of operation;
  - (iv) reconciliations of the annual or interim financial statements; and
  - (v) all other audited or unaudited financial information contained in public disclosure documents, including without limitation, any prospectus, or other offering or public disclosure documents and financial statements required by regulatory authorities;
- (n) prior to public disclosure by the Corporation, review financial statements, management discussion and analysis, earnings, press releases and other press releases containing financial information (to ensure consistency of the disclosure to the financial statement), including the use of "pro forma" or "adjusted" non-GAAP information in such press releases and financial information, including a review of the types of information to be disclosed;
- (o) review the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements;
- (p) review disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Corporation's internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information, and any fraud involving management or other employees;
- (q) review the effectiveness of management's policies and practices concerning financial reporting, any proposed changes in major accounting policies, the appointment and replacement of management responsible for financial reporting and the internal audit function;

- (r) review the adequacy of the internal controls that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records and any special audit steps adopted in light of material control deficiencies;
- (s) review the controls and procedures that have been adopted to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed and to review the public disclosure of financial information extracted or derived from the issuer's financial statements and periodically assess the adequacy of these procedures;
- (t) review periodically, the Corporation's policies with respect to risk assessment and management, particularly financial risk exposure, including the steps taken to monitor and control risks;
- (u) review periodically, the status of taxation matters of the Corporation;
- (v) review, with legal counsel where required, such litigation, claims, tax assessments, transactions, material inquiries from regulators and governmental agencies or other contingencies which may have a material impact on financial results or which may otherwise adversely affect the financial well-being of the Corporation;
- (w) review periodically the Corporation's susceptibility to fraud and oversee management's processes for identifying and managing the risks of fraud;
- (x) consider other matters of a financial nature as directed by the board; and
- (y) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditor.

## **Reporting**

The Committee will regularly report to the board on:

- (a) the auditor's independence;
- (b) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;
- (c) the performance of its internal audit function;
- (d) the adequacy of the Corporation's internal controls and disclosure controls;
- (e) its recommendations regarding the annual and interim financial statements of the Corporation and any reconciliation of the Corporation's financial statements, including any issues with respect to the quality or integrity of the financial statements;
- (f) its review of any other public disclosure document including the annual information form and the annual and interim management's discussion and analysis of financial condition and results of operations;

- (g) the Corporation's compliance with legal and regulatory requirements, particularly those related to financial reporting; and
- (h) all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

### **Complaints Procedure**

The Committee will establish a procedure for the receipt, retention and follow-up of complaints received by the Corporation regarding accounting, internal controls, disclosure controls or auditing matters and a procedure for the confidential, anonymous submission of concerns by employees of the Corporation regarding such matters.

### **Review and Disclosure**

The Committee will review this Charter at least annually and submit it to the board for approval with such further amendments as it deems necessary and appropriate.

This Charter will be reproduced in full as an appendix to either the Corporation's Annual Information Form or Management Information Circular.

### **Assessment**

At least annually, the Committee will review its effectiveness in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the corporate governance guidelines adopted by the board.

### **Access to Outside Advisors and Senior Management**

The Committee may retain any outside advisor including legal counsel, at the expense of the Corporation, without the board's approval, at any time. The Committee has the authority to determine any such advisor's fees.

The Corporation will provide for appropriate funding, for payment of compensation to any auditor engaged to prepare or issue an audit report or perform other audit, review or attest services, and ordinary administrative expenses of the Committee.

Members will meet privately with senior management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually.

### **Meetings**

Meetings of the Committee may be called by any Member, the Chairman of the board, the Chief Executive Officer or Chief Financial Officer of the Corporation or the auditor. Meetings will be held each quarter and at such additional times as is necessary for the Committee to fulfill its responsibilities. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time. Matters decided by the Committee shall be decided by majority vote. Subject to the foregoing, the *Business Corporations Act* (Ontario) and



the by-laws, and unless otherwise determined by the board, the Committee shall have the power to regulate its procedure.

Notice of each meeting shall be given to each Member, the internal auditor, the auditor, and to the Chairman of the board and the Chief Executive Officer of the Corporation. Notice of meeting may be given verbally or by letter, by facsimile or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting and attendance at a meeting is deemed waiver of notice. The notice need not state the purpose or purposes for which the meeting is being held.

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Committee may require the auditors to attend any or all meetings.

### **Definitions**

Capitalized terms used in this Charter and not otherwise defined have the meaning attributed to them below:

**“Independent Director”** means a director who has been affirmatively determined by the board to have no material relationship with the Corporation, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. In addition to any other requirement of applicable securities laws or stock exchange provisions, a director who:

- (a) is an employee, or whose immediate family member is an executive officer of the Corporation is not independent until three years after the end of such employment relationship;
- (b) is receiving, or whose immediate family member receives, more than \$50,000 per year in direct compensation from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) is not independent until three years after he or she ceases to receive more than \$50,000 per year in compensation;
- (c) is affiliated with or employed by, or whose immediate family member is employed in a professional capacity by a present or former internal or external auditor of the Corporation is not independent until three years after the end of the affiliation or employment of the auditing relationship;
- (d) is employed as, or whose immediate family member is employed as, an executive officer of another company where any of the present (at the time of review) members of senior management of the Corporation serve on that company’s compensation committee is not independent until three years after the end of such service or the employment relationship; and
- (e) is an executive officer or an employee of, or whose immediate family member is an executive officer of, another company for which the Corporation accounts for at least 2% or \$1 million, whichever is greater, of such other company’s consolidated gross revenues, in each case is not independent until three years after falling below such threshold.

For the purposes of the definition above, the term Corporation includes any parent, subsidiary or other affiliated entity of the Corporation.

Additionally, an Independent Director for the purpose of the Audit Committee specifically may not:

- (f) accept any consulting, advisory, or other compensatory fee from the Corporation or any of its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or
- (g) be an affiliated person of the Corporation or any of its subsidiaries (within the meaning of applicable rules and regulations).

**“Financially Literate”** means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.