



**ANNUAL INFORMATION FORM**

**MARCH 26, 2009**

**BAM INVESTMENTS CORP.**

**ANNUAL INFORMATION FORM**

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## **FORWARD-LOOKING INFORMATION**

*This Annual Information Form contains forward-looking information concerning the company's business and operations. Expressions of future or conditional verbs such as "may", "will", "would", or "could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking information. Forward-looking information in this Annual Information Form includes, among others, statements with respect to the future value of our common shares, the value and liquidity of our investments, our ability to sell our investments including satisfying share redemptions and retractions, and other statements with respect to the company's beliefs, outlooks, plans, expectations and intentions.*

*Although the company believes that the anticipated future results or achievements expressed or implied by the forward-looking information and statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking information and statements because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking information and statements.*

*Factors that could cause actual results to differ materially from those contemplated or implied by the forward-looking information include general economic conditions, the behavior of financial markets including fluctuations in interest and exchange rates, the availability of equity and debt financing and other risks and factors detailed in this Annual Information Form under the heading "Risk Factors" as well as in other documents filed from time to time by the company with the Canadian securities regulators.*

*We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to the company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, the company undertakes no obligation to publicly update or revise any forward-looking information or statements, whether written or oral, that may be as a result of new information, future events or otherwise.*

# **BAM INVESTMENTS CORP.**

## **ANNUAL INFORMATION FORM**

Unless otherwise specified herein, the information in this annual information form is presented as at December 31, 2008.

### **Corporate Profile**

BAM Investments Corp. (“BAM Investments” or the “Corporation”) 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, New York and Euronext Amsterdam stock exchanges under the symbols BAM.A, BAM and BAMA, respectively. Information relating to Brookfield can be found in its most recent Annual Information Form on Brookfield’s website at [www.brookfield.com](http://www.brookfield.com) at [investorcentre/otherdisclosurereports](http://investorcentre/otherdisclosurereports) and on SEDAR at [www.sedar.com](http://www.sedar.com).

The company commenced operations on August 14, 1986. The current corporate entity was established by way of amalgamation under the OBCA by a certificate and articles of amalgamation dated March 30, 1988.

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, Brookfield Place, 181 Bay Street, Toronto, Ontario, M5J 2T3.

Unless otherwise indicated, all dollar amounts in this Annual Information Form are in Canadian dollars.

### **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 the following securities of BAM Split: 100% of the outstanding voting securities; 100% of the 19,031,672 Capital Shares; 877,100 Class AA Preferred Shares, Series 1; 1,348,000 Class AA Preferred Shares, Series 2; and 362,600 Class AA Preferred Shares, Series 3. 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, 2006.

On January 3, 2008, the Corporation received 2.4 million Limited Partnership Units of Brookfield Infrastructure Partners L.P. through a special dividend on its Brookfield Class A Shares with a value at the time of \$50.1 million.

On August 21, 2008, the Corporation received approval from the Toronto Stock Exchange (“TSX”) for its proposed normal course issuer bid to purchase up to 3,670,000 Common Shares, representing approximately 10% of the public float of its currently outstanding Common Shares. The bid commenced on August 23, 2009. As of the date of this Annual Information Form 32,200 Common Shares have been purchased under this bid.

On August 21, 2007, the Corporation received approval from the TSX for its proposed normal course issuer bid to purchase up to 3,670,000 Common Shares, representing approximately 10% of the public float of its currently outstanding Common Shares. The bid commenced on August 23, 2007 and expired on August 22, 2008. No shares were purchased under this bid.

On June 1, 2007, 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. All stock information on the Class A Shares in this Annual Information Form for prior periods has been adjusted to reflect this stock split.

On May 31, 2007, the Corporation completed a ten-for-one stock split of its Common Shares through a stock dividend of nine Common Shares for each outstanding Common Share of record on May 27, 2007. All stock information in this Annual Information Form prior to May 31, 2007 has been adjusted to reflect this stock split.

On March 31, 2007, the Corporation redeemed its 23 Series V Preference Shares for \$5.75 million. As a result, the Corporation does not at present have any preference shares outstanding.

On January 10, 2007, the Corporation repurchased 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. The amendment to the financial statements 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 5,301,000 Class A Shares (or 3,534,000 on a pre-split basis) of Brookfield (the "Exchangeable Debentures"). As security for the Exchangeable Debentures, the Corporation agreed to pledge 5,301,000 Class A Shares of Brookfield to the holders of the Exchangeable Debentures. 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 5,301,000 Class A Shares. Both of these transactions (together the "2007 Transaction") closed on January 10, 2007, following which the Corporation held 60,767,228 Class A Shares. On January 30, 2009, the Corporation redeemed all of the Exchangeable Debentures which were issued in 2007 and the redemption price was satisfied entirely by the delivery of 5,301,000 Class A Limited Voting Shares of Brookfield.

On August 18, 2006, the Corporation received approval from the TSX for its proposed normal course issuer bid to purchase up to 3,666,000 (366,000 on a pre-split basis) Common Shares, representing approximately 10% of the public float of its currently outstanding Common Shares. The bid commenced on August 23, 2006 and expired on August 22, 2007. No Common Shares were purchased under this bid.

On July 21, 2006, the Corporation purchased 15,744,727 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 25,079,730 Common Shares of the Corporation issued to Partners (the "2006

Transaction”). As a result, the Corporation’s effective interest in Brookfield increased to 55,466,228 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.

Under the Corporation’s normal course issuer bid which commenced on August 23, 2005 and expired on August 22, 2006, the Corporation repurchased and cancelled 50,000 Common Shares at an average price per share of \$9.39 through the facilities of the TSX (5,000 Common Shares at \$93.92 per share, respectively, on a pre-split basis.)

### **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 the Class A Shares of Brookfield. As of the date of this Annual Information Form, the Corporation’s investment in Brookfield consists of 55,466,227 Class A Shares, representing an approximate 9.7% equity interest in Brookfield. Of these, 9,305,584 Class A Shares are held directly and 46,160,644 Class A Shares are held through the Corporation’s wholly-owned subsidiary, BAM Split.

Brookfield’s financial results for the three years ended December 31, 2008, expressed in U.S. dollars, are shown in the following table:

<i>US\$ millions</i>	2008	2007	2006
Total assets	\$ 53,611	\$ 55,597	\$ 40,708
Cash flow from operations	1,423	1,907	1,801
Net income	649	787	1,170

Further information on Brookfield is available from the Secretary of the Corporation and in Brookfield’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 website 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, 2009, the issued and outstanding share capital consisted of 79,384,710 Common Shares and no Preferred Shares.

#### ***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. However, 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 $\frac{2}{3}$ % 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 $\frac{2}{3}$ % 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.

### **Dividend Policy**

The Corporation does not currently pay dividends on its Common Shares and did not pay any dividends on its Common Shares during the three years ended December 31, 2006, 2007 and 2008.

## Market for Securities

The Common Shares of BAM Investments are listed and posted for trading on the TSX under the symbol “BNB”. The following sets out monthly trading information for 2008 for the Common Shares, based on information provided by the TSX.

### Common Shares (TSX: BNB)

Month	Price per Share			Volume Traded
	High	Low	Average	
<b>2008</b>	( \$ )	( \$ )	( \$ )	( # )
January	26.49	19.26	22.18	27,541
February	25.50	22.50	23.74	11,088
March	24.00	18.00	20.27	31,471
April	22.00	19.65	20.82	33,696
May <sup>(a)</sup>	23.00	21.65	22.28	31,466
June	23.35	17.35	20.39	32,343
July	16.50	12.71	14.09	59,545
August	14.00	11.85	12.70	44,625
September	14.00	10.19	11.65	179,304
October	11.50	8.92	10.84	272,721
November	11.20	9.00	10.25	284,775
December	10.25	9.50	9.99	177,908

*(a) The Corporation's Common Shares were split on a ten-for-one basis on May 31, 2007. All data for prior periods have been adjusted to reflect this stock split.*



## Directors and Officers

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

Name and Municipality of Residence	Position with the Corporation	Year Became Director	Principal Occupation
<b>James C. Bacon</b> <sup>(a,b)</sup> Ontario, Canada	Director	2007	Corporate Director
<b>Howard Driman</b> <sup>(a,b)</sup> Ontario, Canada	Director	2007	Director of Finance UIA Federations Canada <i>(a national fundraising and community planning organization)</i>
<b>Brian D. Lawson</b> <sup>(c)</sup> Ontario, Canada	Director	1991	Managing Partner and Chief Financial Officer Brookfield Asset Management Inc. <i>(a global asset management company)</i>
<b>Edward C. Kress</b> <sup>(d)</sup> Ontario, Canada	President	—	Group Chairman, Power Brookfield Asset Management Inc.
<b>R. Frank Lewarne</b> <sup>(a,b)</sup> Ontario, Canada	Director	1990	Corporate Director
<b>Frank N.C. Lochan</b> Ontario, Canada	Director and Chairman	1998	Corporate Director
<b>Ralph J. Zarboni</b> <sup>(a,b)</sup> Ontario, Canada	Director	1999	Chairman and Chief Executive Officer The EM Group Inc. <i>(a plastics and electric products distribution company)</i>
<b>Derek E. Gorgi</b> Ontario, Canada	Vice-President, Finance	—	Manager, Finance and Control Brookfield Asset Management Inc.
<b>Loretta M. Corso</b> Ontario, Canada	Secretary	—	Assistant Secretary Brookfield Asset Management Inc.

### Notes:

<sup>(a)</sup> Member of the Audit Committee.

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

<sup>(c)</sup> Mr. Lawson served as a director of American Resource Corporation Limited (“ARCL”) until April 2005. During that time, ARCL failed to file financial statements on a timely basis, and accordingly ARCL and its directors and officers become subject to management cease trade orders imposed by the Ontario Securities Commission and other provincial securities regulatory authorities. Brookfield controls all of the voting and 99% of the non-voting shares of ARCL. ARCL has corrected the filing deficiencies that led to the management cease trade orders and has made application to the relevant provincial securities regulatory authorities to have the management cease trade orders, which are still in effect, lifted.

<sup>(d)</sup> Mr. Kress was appointed President of the Corporation on March 26, 2009.

All of the above named directors were elected at the Annual Meeting of Shareholders held May 13, 2008 to serve as directors of the Corporation until the next annual meeting of shareholders or until their successors are elected or appointed.

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. Frank Lochan was Executive Vice-President, Taxation, for Brookfield. Mr. Derek Gorgi was appointed to his current position in August 2007, prior to which he was and continues to be Manager, Finance and Control at Brookfield. Prior to October 2006, Mr. Gorgi held various positions with Deloitte and Touche, LLP, (“Deloitte & Touche”) most recently as Manager, Assurance and Advisory. Ms. Loretta Corso was appointed to her current position in May 2003, prior to which she was and continues to be Assistant Secretary at Brookfield.

The directors and executive officers of BAM Investments, as a group, beneficially own, control or direct, directly or indirectly, both individually and through *pro rata* interests in Partners Limited, approximately 5.0 million Common Shares of BAM Investments, representing 6.3% of the Common Shares of the Corporation.

### **Risk Factors**

The following are risk factors relating to an investment in the and Common Shares of the Corporation.

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

The value of 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 Corporation, including the financial performance of Brookfield, interest rates and other financial market conditions. As a result, the net asset value of the Corporation 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, including the Corporation. Strengthening of the Canadian dollar relative to the United States dollar could reduce the amount of cash available to the Corporation.

#### ***Leverage***

The Corporation’s assets are financed almost entirely with the retractable preferred shares issued by BAM Split. This results in financial leverage that will increase the sensitivity of the value of the Common Shares to changes in the values of the assets owned by the Corporation. A decrease in the value of the Corporation’s investments may have a material adverse effect on the Corporation’s business and financial conditions.

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

While the Corporation's policy is to hold the Class A Shares of Brookfield and not engage in trading, there may be circumstances in which such Class A 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 that will affect when or to whom the Class A Shares may be sold. Accordingly, if and when the Corporation is required to sell Class A Shares, the liquidity of such 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 Common Shares does not constitute an investment in the Class A Shares held by the Corporation. Holders of Common Shares do not own the Class A Shares held by the Corporation or have any voting rights in respect of such Class A Shares.

### **Interest of Management and Others in Material Transactions**

Partners own 49% of the Common Shares. Partners is an investment holding company having approximately 40 shareholders, with no one shareholder holding more than approximately a 20% effective equity 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.

### **Material Contracts**

The subscription agreement entered into in connection with the 2007 Transaction and the Exchangeable Debentures may be considered a material contract of the Corporation. Particulars on this transaction are set out under Recent Developments on page 2 of this Annual Information Form.

### **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, Chartered Accountants, Suite 1400, Brookfield 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 2008 and 2007:

<i>Years ended December 31 (thousands)</i>	2008	2007
Audit fees	\$ 74	\$ 107
Audit-related fees	—	—
Tax fees	—	—
All other fees <sup>(a)</sup>	20	103
	\$ 94	\$ 210

(a) For services provided in 2007 in relation to prospectus filings and 2008 in response to a comment letter from the Ontario Securities Commission respectively.

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 2007, Deloitte and Touche also performed other services for the Corporation and its subsidiaries, BAM Split, in relation to prospectus filings.

During 2008 and 2007, Deloitte & Touche performed no other services for the Corporation, including any audit-related services or tax 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 auditor. 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 12, 2009, is attached as Appendix A. Among other things, this Charter contains specific policies and procedures for the engagement of the Corporation's external auditor to conduct audit, audit related and non-audit services.

As at the date of this Annual Information Form, the Audit Committee is comprised of four directors, Howard Driman, who is the Committee's Chair, James Bacon, Frank Lewarne and Ralph Zarboni. The board of directors considers all 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. Mr. Bacon is a Professional Engineer with extensive senior level financial management experience with Canadian public manufacturing companies; Mr. Driman is a chartered accountant who has financial experience with the private and charitable sectors; Mr. Lewarne is a Corporate Director who has been a member of Audit Committees since 1990; and Mr. Zarboni has extensive senior management expertise in the manufacturing sector.

## **Additional Information**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's voting securities, and securities authorized for issuance under equity compensation plans, where applicable, is set out in the Corporation's most recent Management Information Circular. Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2008. A copy of these documents may be obtained upon a request to the Secretary of the Corporation and can be found on SEDAR at [www.sedar.com](http://www.sedar.com). 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.