

**NOTICE OF AMENDMENTS TO
NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS* AND
COMPANION POLICY 41-101CP *COMPANION POLICY TO NATIONAL INSTRUMENT
41-101 GENERAL PROSPECTUS REQUIREMENTS***

AND

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

AND

**AMENDMENTS TO
NATIONAL INSTRUMENT 44-102 *SHELF DISTRIBUTIONS***

Introduction

We, the Canadian Securities Administrators (the CSA or we), are implementing amendments to:

- National Instrument 41-101 *General Prospectus Requirements* (NI 41-101),
- Companion Policy 41-101CP *Companion Policy to National Instrument 41-101 General Prospectus Requirements* (41-101CP),
- National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101),
- Companion Policy 44-101CP *to National Instrument 44-101 Short Form Prospectus Distributions* (44-101CP), and
- National Instrument 44-102 *Shelf Distributions* (NI 44-102).

This notice forms part of a series of notices which address changes to securities legislation arising from the upcoming changeover to International Financial Reporting Standards (IFRS).

At this time, we are not implementing amendments to Form 41-101F2 *Information Required in an Investment Fund Prospectus* (Form 41-101F2). Form 41-101F2 will be the subject of a separate notice.

Background

NI 41-101 provides a comprehensive set of prospectus requirements for issuers. NI 44-101 sets out requirements for an issuer to file a prospectus in the form of a short form prospectus. NI 44-102 sets out requirements for a distribution under a short form prospectus using shelf procedures

(NI 41-101, NI 44-101 and NI 44-102 are collectively referred to in this notice as “the prospectus rules”).

The prospectus rules refer to and rely on references to Canadian generally accepted accounting principles (Canadian GAAP), which are established by the Canadian Accounting Standards Board (AcSB). In February 2006, the AcSB published a strategic plan to transition, over a period of five years, Canadian GAAP for public enterprises to IFRS, as adopted by the International Accounting Standards Board (IASB). In March 2008, the timing of the transition was confirmed. IFRS will apply to most Canadian publicly accountable enterprises for financial years beginning on or after January 1, 2011.

The AcSB has incorporated IFRS into the Handbook of the Canadian Institute of Chartered Accountants (the Handbook) as Canadian GAAP for most publicly accountable enterprises. As a result, the Handbook contains two sets of standards for public companies:

- Part I of the Handbook – Canadian GAAP for publicly accountable enterprises that applies for financial years beginning on or after January 1, 2011, and
- Part V of the Handbook - Canadian GAAP for public enterprises that is the pre-changeover accounting standards (current Canadian GAAP).

The prospectus rules also refer to and rely on references to current Canadian generally accepted auditing standards (Canadian GAAS), which are established by the Canadian Auditing and Assurance Standards Board (AASB). The AASB published their strategic plan to adopt International Standards on Auditing as Canadian Auditing Standards in February 2007. These standards will continue to be known as Canadian GAAS in the Handbook. Canadian Auditing Standards are effective for audits of financial statements for periods ending on or after December 14, 2010.

Consistent with these changes, the CSA is repealing and replacing National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (to be renamed *Acceptable Accounting Principles and Auditing Standards*) (NI 52-107). The new version of NI 52-107 will require domestic issuers to comply with IFRS for financial years beginning on or after January 1, 2011 and will set out the accounting principles and auditing standards that apply to financial statements filed in a jurisdiction. The implementation of the new version of NI 52-107 is described in a separate notice (the NI 52-107 Notice).

The amendments do not reflect the impact of exposure drafts or discussion papers from the IASB prior to their adoption into IFRS. The CSA is implementing amendments to National Instrument 14-101 *Definitions* to include a definition of IFRS that incorporates amendments made to IFRS from time to time.

Substance and Purpose of the Amendments

The primary purpose of the changes to the prospectus rules is to accommodate the transition to IFRS and the new version of NI 52-107. A small number of housekeeping changes are also being made. The amendments:

- replace current Canadian GAAP terms and phrases with IFRS terms and phrases,
- change disclosure requirements in instances where IFRS contemplates different financial statements than current Canadian GAAP,
- provide a 30 day extension to the deadline for reporting issuers, other than investment funds, to include in a prospectus the first interim financial report in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011, and
- clarify the current provisions or, where part or all of a provision is no longer accurate or appropriate, amend or delete it.

Appendix B sets out the amendments to NI 41-101 and 41-101CP. Appendix C sets out the amendments to NI 44-101 and 44-101CP. Appendix D sets out the amendments to NI 44-102.

Transition

After the IFRS changeover date on January 1, 2011, non calendar year-end issuers will continue to prepare financial statements in accordance with current Canadian GAAP until the start of their new financial year. To accommodate for this, we have included transition provisions in the amendment instruments that provide that the amendments only apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011. Thus, during the transition period,

- issuers only including or incorporating by reference financial statements prepared in accordance with current Canadian GAAP will be required to comply with the versions of the prospectus rules that contain current Canadian GAAP terms and phrases, and
- issuers including or incorporating by reference financial statements that comply with IFRS will be required to comply with the versions of the prospectus rules that contain IFRS terms and phrases.

After the transition period all issuers will be required to comply with the versions of the prospectus rules that contain IFRS terms and phrases.

To further assist issuers and their advisors and to increase transparency, during the transition period certain jurisdictions will post two different unofficial consolidations of the prospectus rules on their websites:

- the current versions of the prospectus rules that contain current Canadian GAAP terms and phrases, which apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning before January 1, 2011; and

- the new versions of the prospectus rules that contain IFRS terms and phrases, which apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.

52/53 week financial years

Notwithstanding the above, the amendment instruments for the prospectus rules now include a transition provision which provides the amendments may be applied by an issuer to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of the issuer which includes financial statements of the issuer in respect of periods relating to a financial year that begins before January 1, 2011 if the immediately preceding financial year ends no earlier than December 21, 2010 and if the issuer is relying on the exemption in section 5.3 of the new version of NI 52-107. That exemption in NI 52-107 permits issuers that have financial year ends close to, but not on December 31, 2010, the option to transition to IFRS when their new financial year begins.

Rate-regulated activities

Furthermore, subsection 1.3(6) of 41-101CP provides that if a qualifying entity is relying on the exemption in paragraph 5.4(1)(a) of the new version of NI 52-107, then the qualifying entity may interpret any reference in NI 41-101 to a term or provision defined or used in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in Part V of the Handbook.

Summary of Written Comments Received by the CSA

The CSA, except the Autorité des marchés financiers and the New Brunswick Securities Commission, published the amendments to the prospectus rules for comment on September 25, 2009 (the September 2009 Materials). We only received submissions on the September 2009 Materials from commenters who submitted comment letters on the proposed changes to NI 52-107. The names of those commenters and a summary of their comments, together with our responses, are in Appendices A and B to the NI 52-107 Notice.

The Autorité des marchés financiers and the New Brunswick Securities Commission published the amendments to the prospectus rules for comment on March 12, 2010. No comments were received.

We thank the commenters for their comments.

Summary of Changes to the September 2009 Materials

See Appendix A for a detailed summary of the changes made to the September 2009 Materials.

Implementation

In some jurisdictions, Ministerial approval is required for these changes. Provided all necessary approvals are obtained, the amendments will come into force on January 1, 2011. Where applicable, Appendix E provides information about each jurisdiction's approval process.

Local Notices

In conjunction with the implementation of the amendments to the prospectus rules, certain securities regulatory authorities will publish other information required by local securities legislation in Appendix E to this notice.

Questions

Please refer your questions to any of:

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Appendix A
Summary of Changes to the September 2009 Materials

A. Terms and Phrases

We replaced or revised the following terms or phrases used in the September 2009 Materials. In most cases, the new term or phrase provides greater clarity or better reflects IFRS and the new Canadian Auditing Standards.

Previous Term or Phrase	New Term or Phrase
Canadian GAAP	Canadian GAAP applicable to publicly accountable enterprises “Publicly accountable enterprise” has been defined in section 1.1 of NI 41-101.
an auditor’s report that does not contain a modified opinion	an auditor’s report that expresses an unmodified opinion
former auditor	predecessor auditor

B. Other Changes

We made the following additional changes:

NI 41-101

Section	Term, Phrase or Matter	Explanation of Change
1.1	“profit or loss attributable to owners of the parent”	The term has now been defined to have the same meaning as in Canadian GAAP applicable to publicly accountable enterprises.
1.1	“profit or loss from continuing operations attributable to owners of the parent”	The term has now been defined to have the same meaning as in Canadian GAAP applicable to publicly accountable enterprises.
1.1	“publicly accountable enterprise”	The term has now been defined to have the same meaning as in Part 3 of NI 52-107.
1.1	“retrospective” and “retrospectively”	Those terms have now been defined to have the same meaning as in section 1.1 of National Instrument 51-102 <i>Continuous Disclosure Obligations</i> .

Form 41-101F1

Section	Term, Phrase or Matter	Explanation of Change
5.1(1)	Describe the business	For clarity, we have added “as those terms are described in the issuer’s GAAP” after “operating segments that are reportable segments”.
8.7	Additional disclosure for junior issuers	We clarified the guidance to note that, for the purposes of this section, in determining cash flow from operating activities, the issuer must include <u>cash payments related to</u> dividends and borrowing costs.
9.1	profit or loss attributable to owners of the parent	In Instructions (2), (3)(a), (6) and (7) to Item 9.1, we replaced “profit or loss” with “profit or loss attributable to owners of the parent”. This change was made to be consistent with the disclosure requirements under IFRS.
34.1(g)	Definition of “summary financial information”	The definition has been amended to require the disclosure of profit or loss from continuing operations and profit or loss, both “attributable to owners of the parent”. This change is intended to require the disclosure of the same financial information as currently required in Form 41-101F1.
35.4	Financial performance consolidated in financial statements of issuer	We replaced “operations” with “financial performance”, as it is the equivalent IFRS term.

41-101CP

Section	Term, Phrase or Matter	Explanation of Change
1.3(5)	Financial statements prepared in accordance with different accounting principles	We have added guidance that issuers intending to include financial statements that are prepared in accordance with different accounting principles should consider the guidance in section 2.8 of Companion Policy 52-107CP <i>Acceptable Accounting Principles and Auditing Standards</i> .
4.3(1)	Use of Proceeds	We clarified the guidance to note that, for the purposes of this section, in determining cash flow from operating activities, the issuer must include <u>cash payments related to</u> dividends and borrowing costs.

Section	Term, Phrase or Matter	Explanation of Change
5.5(3)	Issuer becoming aware of errors made in previous GAAP	<p>We deleted the following sentence: “If the issuer becomes aware of errors made under previous GAAP, the reconciliations summarized above must distinguish the correction of those errors from changes in accounting policies.”</p> <p>We made this change because we thought that this guidance could give the impression that in simply disclosing the error in a reconciliation note the issuer has satisfied its responsibility to comply with applicable securities legislation, policies and practices. Responsibility remains with the issuer and its advisors to assess the materiality of the error(s) to determine if disclosure in the reconciliation(s) summarized in this subsection or restatement and, in the case of reporting issuers, refiling of prior period financial statements under previous GAAP will meet its obligations under applicable securities legislation, policies and practices.</p>

Form 44-101F1

Section	Term, Phrase or Matter	Explanation of Change
6.1	profit or loss attributable to owners of the parent	In Instructions (2), (3)(a), (6) and (7) to Item 6.1, we replaced “profit or loss” with “profit or loss attributable to owners of the parent”. This change was made to be consistent with the disclosure requirements under IFRS.
13.1(g)	Definition of “summary financial information”	The definition has been amended to require the disclosure of profit or loss from continuing operations and profit or loss, both “attributable to owners of the parent”. This change is intended to require the disclosure of the same financial information as currently required in Form 44-101F1.

44-101CP

Section	Term, Phrase or Matter	Explanation of Change
4.4(1)	Use of Proceeds	We clarified the guidance to note that, for the purposes of this section, in determining cash flow from operating activities, the issuer must include <u>cash payments related to dividends and borrowing costs</u> .

C. Transition, Drafting and Housekeeping Changes

We also made certain drafting and housekeeping changes to various provisions.

We decided not to proceed with the proposal to add certain transition provisions as section 20.1 of NI 41-101, section 9.4 of NI 44-101 and section 12.2 of NI 44-102. We decided that these transition provisions were not necessary since section 37 of the amendment instrument for NI 41-101, section 12 of the amendment instrument for NI 44-101 and section 4 of the amendment instrument for NI 44-102 provide that the amendments only apply to a prospectus which includes financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.

52/53 week financial years

The amendment instruments for the prospectus rules now include a transition provision which provides the amendments may be applied by an issuer to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of the issuer which includes financial statements of the issuer in respect of periods relating to a financial year that begins before January 1, 2011 if the immediately preceding financial year ends no earlier than December 21, 2010 and if the issuer is relying on the exemption in section 5.3 of the new version of NI 52-107. That exemption in NI 52-107 permits issuers that have financial year ends close to, but not on December 31, 2010, the option to transition to IFRS when their new financial year begins.

Rate-regulated activities

Subsection 1.3(6) of 41-101CP provides that if a qualifying entity is relying on the exemption in paragraph 5.4(1)(a) of the new version of NI 52-107, then the qualifying entity may interpret any reference in NI 41-101 to a term or provision defined or used in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in Part V of the Handbook.

Appendix B
Amendments to
National Instrument 41-101 *General Prospectus Requirements* and Companion Policy
Schedule B-1

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2010-21
(Section 149.1, *The Securities Act*)

AMENDMENT INSTRUMENT FOR
NATIONAL INSTRUMENT 41-101
GENERAL PROSPECTUS REQUIREMENTS

Although this amendment instrument amends section headers in National Instrument 41-101, section headers do not form part of the instrument and are inserted for ease of reference only.

*1. National Instrument 41-101 *General Prospectus Requirements* is amended by this Instrument.*

2. Section 1.1 is amended

(a) after the definition of "acquisition", by adding the following definition:

"acquisition date" has the same meaning as in section 1.1 of NI 51-102,;

(b) by deleting the definition of "date of acquisition",

(c) after the definition of "custodian", by adding the following definition:

"date of transition to IFRS" has the same meaning as in section 1.1 of NI 51-102,;

(d) after the definition of "executive officer", by adding the following definitions:

"financial statements" includes interim financial reports;

"first IFRS financial statements" has the same meaning as in section 1.1 of NI 51-102,;

(e) by deleting the definition of "income from continuing operations",

(f) in the definition of "Form 52-110F1", by replacing "MI 52-110" with "NI 52-110",

(g) in the definition of "Form 52-110F2", by replacing "MI 52-110" with "NI 52-110",

(h) in the definition of "junior issuer",

(i) by replacing "balance sheet" wherever it occurs with "statement of financial position",

(ii) by deleting "shareholders'" wherever it occurs,

(iii) in paragraphs (d) and (g), by replacing "annual income statement" with "annual statement of comprehensive income", and

(iv) in subparagraph (g), by replacing "an income statement" with "a statement of comprehensive income",

(i) by deleting the definition of "**MI 52-110**",

(j) in the definition of "**NI 52-107**", by replacing "Acceptable Accounting Principles, Auditing Standards and Reporting Currency" with "Acceptable Accounting Principles and Auditing Standards",

(k) after the definition of "**NI 52-107**", by adding the following definition:

"**NI 52-110**" means National Instrument 52-110 *Audit Committees*;

(l) after the definition of "**private issuer**", by adding the following definitions:

"**profit or loss attributable to owners of the parent**" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

"**profit or loss from continuing operations attributable to owners of the parent**" has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

"**publicly accountable enterprise**" has the same meaning as in Part 3 of NI 52-107;

(m) after the definition of "**restructuring transaction**", by adding the following definitions:

"**retrospective**" has the same meaning as in section 1.1 of NI 51-102;

"**retrospectively**" has the same meaning as in section 1.1 of NI 51-102;

(n) after the definition of "transition year", by adding the following definition:

"**U.S. AICPA GAAS**" has the same meaning as in section 1.1 of NI 52-107;

(o) by deleting the definition of "**U.S. GAAS**", and

(p) after the definition of "**U.S. marketplace**", by adding the following definition:

"**U.S. PCAOB GAAS**" has the same meaning as in section 1.1 of NI 52-107;

3. Subsection 4.2(2) is amended by replacing "interim financial statements" with "an interim financial report".

4. Paragraph 4.3(3)(a) is replaced with the following:

(a) U.S. AICPA GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the American Institute of Certified Public Accountants,

(a.1) U.S. PCAOB GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the Public Company Accounting Oversight Board (United States of America),.

5. Section 14.2 is amended by deleting "shareholders'" wherever it occurs.

6. Section 20.1 is repealed.

7. Schedule 3 of Appendix A is amended

(a) opposite "Northwest Territories", by

(i) replacing "Securities Registries" with "Superintendent of Securities", and

(ii) replacing www.justice.gov.nt.ca/SecuritiesRegistry/SecuritiesRegistry.html with "www.justice.gov.nt.ca/SecuritiesRegistry",

(b) opposite "Nunavut", by adding "Superintendent of Securities" above "Government of Nunavut", and

(c) opposite "Yukon", by replacing "Registrar of Securities" with "Superintendent of Securities".

8. The general instructions of Form 41-101F1 Information Required in a Prospectus are amended

(a) in instruction (3), by deleting "This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.",

(b) in instruction (7), by replacing "the Handbook" with "Canadian GAAP applicable to publicly accountable enterprises",

(c) in instruction (8), by replacing "special purpose vehicle" with "special purpose entity",

(d) in instruction (10), by replacing "disclose the currency in which the financial information is disclosed" with "display the presentation currency", and

(e) in instruction (15), by replacing "Forward-looking information included" with "Forward-looking information, as defined in NI 51-102, included".

9. Section 1.5 of Form 41-101F1 is amended by deleting "reporting".

10. Paragraph 4.2(4)(b) of Form 41-101F1 is amended

(a) by replacing "sales and operating revenues" wherever it occurs with "revenue", and

(b) by replacing "do" with "does".

11. Subsection 5.1(1) of Form 41-101F1 is amended by replacing "as those terms are used in the Handbook" with "as those terms are described in the issuer's GAAP".

12. Section 5.5 of Form 41-101F1 is amended

(a) in subsection (1), by replacing "balance sheet" wherever it occurs with "statement of financial position",

(b) in paragraph (1)(b), by replacing "income statement" with "statement of comprehensive income", and

(c) in subsection (4), by replacing "balance sheet" with "statement of financial position".

13. Subsection 8.1(1) of Form 41-101F1 is amended by deleting "or Item 303 of Regulation S-B".

14. Section 8.2 of Form 41-101F1 is amended

(a) in paragraph (1)(b), by replacing "interim financial statements" with "interim financial report",

(b) in subsection (2), by replacing "If the prospectus includes the issuer's annual income statements, statements of retained earnings, and cash flow statements" with "If the prospectus includes the issuer's annual statements of comprehensive income, statements of changes in equity, and statements of cash flow", and

(c) in subsection (3), by replacing "balance sheet" with "statement of financial position".

15. Section 8.3 of Form 41-101F1 is repealed.

16. Section 8.6 of Form 41-101F1 is amended

(a) in paragraph (1)(a), by replacing "capitalized or expensed exploration and development costs" with "exploration and evaluation assets or expenditures",

(b) in paragraph (1)(c), by replacing "deferred development costs" with "intangible assets arising from development",

(c) in paragraph (1)(e), by replacing "capitalized, deferred or expensed" with "expensed or recognized as assets",

(d) in subsection (2), by replacing "capitalized or expensed exploration and development costs" with "exploration and evaluation assets or expenditures", and

(e) in paragraph (3)(b), by replacing "interim financial statements" with "interim financial report".

17. Section 8.7 of Form 41-101F1 is amended

(a) by replacing "negative operating cash flow" with "negative cash flow from operating activities", and

(b) by adding the following paragraph after paragraph (c):

In determining cash flow from operating activities, the issuer must include cash payments related to dividends and borrowing costs..

18. Section 8.8 of Form 41-101F1 is amended

(a) in paragraph (1)(a), by replacing "summarized information as to the assets, liabilities and results of operations of the equity investee," with "summarized financial information of the equity investee, including the aggregated amounts of assets, liabilities, revenue and profit or loss,"

(b) in paragraph (1)(b), by replacing "earnings" with "profit or loss", and

(c) in subsection (2), by replacing "interim financial statements" with "interim financial report".

19. Section 9.1 of Form 41-101F1 is amended

(a) in paragraph (1)(c), by replacing "interim financial statements of the issuer have" with "an interim financial report of the issuer has",

(b) in paragraphs (2)(b) and (d), by replacing "annual or interim financial statements" wherever it occurs with "annual financial statements or interim financial report",

(c) in paragraph (2)(c), by replacing "annual or interim financial statements" with "annual financial statements or interim financial report, and",

(d) in paragraphs (2)(c) and (d), by deleting "long-term" wherever it occurs,

(e) in paragraph (2)(d), by replacing "prospectus, and" with "prospectus.",

(f) by repealing paragraph (2)(e),

(g) by repealing subsection (3), and

(h) in subsection (4), by replacing "earnings required" with "numerator required".

20. The instructions under item 9 of Form 41-101F1 are amended

(a) in instruction (2), by replacing "entity's earnings (the numerator) by its interest" with "entity's profit or loss attributable to owners of the parent (the numerator) by its borrowing costs",

(b) in instruction (3),

(i) in paragraph (a), by replacing "net income before interest" with "profit or loss attributable to owners of the parent before borrowing costs",

(ii) by repealing paragraph (c),

(iii) by replacing paragraph (d) with the following:

(d) for distributions of debt securities, the appropriate denominator is borrowing costs, after giving effect to the new debt securities issue and any retirement of obligations, plus the borrowing costs that have been capitalized during the period;

(iv) in subparagraph (e)(i), by replacing "annual interest requirements, including the amount of interest that has" with "annual borrowing cost requirements, including the borrowing costs that have",

(v) in paragraph (f), by adding "securities" after "effect of the debt",

(c) in instruction (4),

(i) by replacing "interest obligations on all long-term debt" with "borrowing cost obligations on all financial liabilities",

(ii) by replacing paragraph (a) with the following:

(a) the issuance of all financial liabilities and, in addition in the case of an issuance of preferred shares, all preferred shares issued, since the date of the annual financial statements or interim financial report;

(iii) in paragraph (b), by adding "and" after "distributed;"

(iv) by replacing paragraph (c) with the following:

(c) the repayment or redemption of all financial liabilities since the date of the annual financial statements or interim financial report, all financial liabilities to be repaid or redeemed from the proceeds to be realized from the sale of securities under the prospectus and, in addition, in the case of an issuance of preferred shares, all preferred shares repaid or redeemed since the date of the annual financial statements or interim financial report and all preferred shares to be repaid or redeemed from the proceeds to be realized from the sale of securities under the prospectus.,

(v) by repealing paragraph (d),

(d) by repealing instruction (5),

(e) in instruction (6), by replacing "interest requirements, after giving effect to the issue of [the debt securities to be distributed under the prospectus], amounted to \$• for the 12 months ended •. [Name of the issuer]'s earnings before interest and income tax for the 12 months then ended was \$•, which is • times [name of the issuer]'s interest requirements" with "borrowing cost requirements, after giving effect to the issue of [the debt securities to be distributed under the prospectus], amounted to \$• for the 12 months ended •. [Name of the issuer]'s profit or loss attributable to owners of the parent before borrowing costs and income tax for the 12 months then ended was \$•, which is • times [name of the issuer]'s borrowing cost requirements", and

(f) in instruction (7), by replacing "interest requirements for the 12 months then ended amounted to \$•. [Name of the issuer]'s earnings before interest and income tax for the 12 months ended • was \$•, which is • times [name of the issuer]'s aggregate dividend and interest requirements" with "borrowing cost requirements for the 12 months then ended amounted to \$•. [Name of the issuer]'s profit or loss attributable to owners of the parent before borrowing costs and income tax for the 12 months ended • was \$•, which is • times [name of the issuer]'s aggregate dividend and borrowing cost requirements".

21. Paragraph 10.3(8)(b) of Form 41-101F1 is amended by replacing "income" with "profit".

22. The instruction under section 10.9 of Form 41-101F1 is amended by replacing "derivatives" with "derivative instruments".

23. Paragraph 32.1(c) of Form 41-101F1 is amended by replacing "continuity of interests" with "combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not temporary".

24. Item 32.2 of Form 41-101F1 is replaced with the following:

Annual financial statements

32.2(1) Subject to section 32.4, include annual financial statements of the issuer consisting of

(a) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows for each of the three most recently completed financial years ended more than

(i) 90 days before the date of the prospectus, or

(ii) 120 days before the date of the prospectus, if the issuer is a venture issuer,

(b) a statement of financial position as at the end of the two most recently completed financial years described in paragraph (a),

(c) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the prospectus comply with IFRS in the case of an issuer that

(i) discloses in its annual financial statements an unreserved statement of compliance with IFRS, and

(ii) does any of the following

(A) applies an accounting policy retrospectively in its annual financial statements,

(B) makes a retrospective restatement of items in its annual financial statements, or

(C) reclassifies items in its annual financial statements,

(d) in the case of an issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS, and

(e) notes to the annual financial statements.

(1.1) If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under subsection (1).

(2) If the issuer has not completed three financial years, include the financial statements described under subsection (1) for each completed financial year ended more than

(a) 90 days before the date of the prospectus, or

- (b) 120 days before the date of the prospectus, if the issuer is a venture issuer.
- (3) If the issuer has not included in the prospectus financial statements for a completed financial year, include the financial statements described under subsection (1) or (2) for a period from the date the issuer was formed to a date not more than 90 days before the date of the prospectus.
- (4) If an issuer changed its financial year end during any of the financial years referred to in this section and the transition year is less than nine months, the transition year is deemed not to be a financial year for the purposes of the requirement to provide financial statements for a specified number of financial years in this section.
- (5) Despite subsection (4), all financial statements of the issuer for a transition year referred to in subsection (4) must be included in the prospectus.
- (6) Subject to section 32.4, if financial statements of any predecessor entity, business or businesses acquired by the issuer, or of any other entity are required under this section, then include
 - (a) statements of comprehensive income, statements of changes in equity, and statements of cash flow for the entities or businesses for as many periods before the acquisition as may be necessary so that when these periods are added to the periods for which the issuer's statements of comprehensive income, statements of changes in equity, and statements of cash flow are included in the prospectus, the results of the entities or businesses, either separately or on a consolidated basis, total three years,
 - (b) statements of financial position for the entities or businesses for as many periods before the acquisition as may be necessary so that when these periods are added to the periods for which the issuer's statements of financial position are included in the prospectus, the financial position of the entities or businesses, either separately or on a consolidated basis, total two years,
 - (c) if the entities or businesses have not completed three financial years, the financial statements described under paragraphs (a) and (b) for each completed financial year of the entities or businesses for which the issuer's financial statements in the prospectus do not include the financial statements of the entities or businesses, either separately or on a consolidated basis, and ended more than
 - (i) 90 days before the date of the prospectus, or
 - (ii) 120 days before the date of the prospectus, if the issuer is a venture issuer,
 - (d) if an entity's or business's first IFRS financial statements are included under paragraphs (a), (b) or (c), the opening IFRS statement of financial position at the date of transition to IFRS, and

(e) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the prospectus comply with IFRS in the case of an issuer that

(i) discloses in its annual financial statements an unreserved statement of compliance with IFRS, and

(ii) does any of the following

(A) applies an accounting policy retrospectively in its financial statements,

(B) makes a retrospective restatement of items in its financial statements, or

(C) reclassifies items in its financial statements..

25. Section 32.3 of Form 41-101F1 is replaced with the following:

Interim financial report

32.3(1) Include a comparative interim financial report of the issuer for the most recent interim period, if any, ended

(a) subsequent to the most recent financial year in respect of which annual financial statements of the issuer are included in the prospectus, and

(b) more than

(i) 45 days before the date of the prospectus, or

(ii) 60 days before the date of the prospectus if the issuer is a venture issuer.

32.3(2) The interim financial report referred to in subsection (1) must include

(a) a statement of financial position as at the end of the interim period and a statement of financial position as at the end of the immediately preceding financial year, if any,

(b) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows, all for the year-to-date interim period, and comparative financial information for the corresponding interim period in the immediately preceding financial year, if any,

(c) for interim periods other than the first interim period in an issuer's financial year, a statement of comprehensive income for the three month period ending on the last day of the interim period and comparative financial information for the corresponding period in the immediately preceding financial year, if any,

(d) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the prospectus comply with IFRS in the case of an issuer that

(i) discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*, and

(ii) does any of the following

(A) applies an accounting policy retrospectively in its interim financial report,

(B) makes a retrospective restatement of items in its interim financial report, or

(C) reclassifies items in its interim financial report,

(e) in the case of the first interim financial report required to be filed in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS, and

(f) notes to the interim financial report.

32.3(3) If an issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income filed under subsection (2).

32.3(4) If the issuer is required to include under subsection 32.3(1), a comparative interim financial report of the issuer for the second or third interim period in the year of adopting IFRS, include

(a) the issuer's first interim financial report in the year of adopting IFRS, or

(b) both

(i) the opening IFRS statement of financial position at the date of transition to IFRS, and

(ii) the annual and date of transition to IFRS reconciliations required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* to explain how the transition from previous GAAP to IFRS affected the issuer's reported financial position, financial performance and cash flows.

32.3(5) Subsection (4) does not apply to an issuer that was a reporting issuer in at least one jurisdiction immediately before filing the prospectus..

26. Section 32.4 of Form 41-101F1 is replaced with the following:

Exceptions to financial statement requirements

32.4 Despite section 32.2, an issuer is not required to include the following financial statements in a prospectus

(a) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, if the issuer is a reporting issuer in at least one jurisdiction immediately before filing the prospectus,

(b) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the financial statements for the second most recently completed financial year, if

(i) the issuer is a reporting issuer in at least one jurisdiction immediately before filing the prospectus, and

(ii) the issuer includes financial statements for a financial year ended less than

(A) 90 days before the date of the prospectus, or

(B) 120 days before the date of the prospectus, if the issuer is a venture issuer,

(c) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the statement of financial position for the second most recently completed financial year, if the issuer includes financial statements for a financial year ended less than 90 days before the date of the prospectus,

(d) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the financial statements for the second most recently completed financial year, if

(i) the issuer is a reporting issuer in at least one jurisdiction immediately before filing the prospectus,

(ii) the issuer includes audited financial statements for a period of at least nine months commencing the day after the most recently completed financial year for which financial statements are required under section 32.2,

(iii) the business of the issuer is not seasonal, and

(iv) none of the financial statements required under section 32.2 are for a financial year that is less than nine months,

(e) the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows for the third most recently completed financial year, and the statement of financial position for the second most recently completed financial year, if

(i) the issuer includes audited financial statements for a period of at least nine months commencing the day after the most recently completed financial year for which financial statements are required under section 32.2,

(ii) the business of the issuer is not seasonal, and

(iii) none of the financial statements required under section 32.2 are for a financial year that is less than nine months, or

(f) the separate financial statements of the issuer and the other entity for periods prior to the date of the transaction, if the restated combined financial statements of the issuer and the other entity are included in the prospectus under paragraph 32.1(c)..

27. Paragraph 32.5(c) of Form 41-101F1 is amended by replacing "interim financial statements" with "interim financial report".

28. Subsection 34.1(1) of Form 41-101F1 is amended

(a) in paragraph (c), by replacing "revenues" with "revenue",

(b) in subparagraph (g)(i), by replacing "sales or revenues" with "revenue",

(c) in subparagraph (g)(ii), by replacing "income from continuing operations" with "profit or loss from continuing operations attributable to owners of the parent",

(d) in subparagraph (g)(iii), by replacing "net earnings or loss" with "profit or loss attributable to owners of the parent",

(e) in subparagraph (g)(iv), by replacing "balance sheet" with "statement of financial position", and

(f) by adding the following instruction after paragraph (g):

INSTRUCTION

See section 1.1 of the Instrument for the definitions of "profit or loss attributable to owners of the parent" and "profit or loss from continuing operations attributable to owners of the parent". .

29. Subparagraph 34.2(e)(ii) of Form 41-101F1 is amended by replacing "interim and annual consolidated" with "consolidated interim financial report and consolidated annual".

30. Section 35.1 of Form 41-101F1 is amended

(a) in subsection (1), by deleting "accounted for as", and

(b) in subsection (4),

(i) by replacing "date of the acquisition" wherever it occurs with "acquisition date",

(ii) in subparagraph (b)(iv), by replacing "income" with "profit or loss", and

(iii) in subparagraph (b)(vi), by replacing "annual audited statements" with "audited annual statements".

31. Section 35.3 of Form 41-101F1 is amended

(a) in the title, by replacing "date of acquisition" with "acquisition date", and

(b) by replacing "date of the acquisition" wherever it occurs with "acquisition date".

32. Section 35.4 of Form 41-101F1 is amended

(a) in the title, by replacing "Results" with "Financial Performance", and

(b) by replacing "operations" with "financial performance".

33. Subsection 35.5(3) of Form 41-101F1 is amended by replacing "date of acquisition" wherever it occurs with "acquisition date".

34. Subsection 35.6(3) of Form 41-101F1 is amended by replacing "date of the acquisition" wherever it occurs with "acquisition date".

35. Subsection 35.8(1) of Form 41-101F1 is amended

(a) by replacing "annual and interim financial statements" with "annual financial statements and an interim financial report", and

(b) by replacing "date of the acquisition" with "acquisition date".

36. Form 41-101F1 is amended by adding the following after Item 37:

ITEM 38: Transition

Interim financial report

38.1(1) Despite subsection 32.3(1), an issuer may include a comparative interim financial report of the issuer for the most recent interim period, if any, ended

(a) subsequent to the most recent financial year in respect of which annual financial statements of the issuer are included in the prospectus, and

(b) more than

(i) 75 days before the date of the prospectus, or

(ii) 90 days before the date of the prospectus if the issuer is a venture issuer.

38.1(2) Subsection (1) does not apply unless

(a) the comparative interim financial report is the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011,

(b) the issuer

(i) is disclosing, for the first time, a statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*, and

(ii) did not previously file financial statements that disclosed compliance with IFRS,

(c) the issuer is a reporting issuer in any jurisdiction immediately before the date of the final long form prospectus, and

(d) the final long form prospectus is filed before July 5, 2012.

Asset-backed securities

38.2(1) Despite subsection 10.3(5), all financial disclosure that describes the underlying pool of financial assets of the issuer for a transition year must be included in the prospectus for the most recent interim period, if any, ended

(a) subsequent to the most recent financial year referred to in paragraphs 10.3(3)(a) and 10.3(3)(b) in respect of which financial disclosure on the underlying pool of financial assets is included in the prospectus, and

(b) more than

(i) 75 days before the date of the prospectus, or

(ii) 90 days before the date of the prospectus if the issuer is a venture issuer.

38.2(2) Subsection (1) does not apply unless

(a) the financial disclosure in respect of the interim period is the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011,

(b) the issuer

(i) is disclosing, for the first time, a statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*, and

(ii) did not previously file financial statements that disclosed compliance with IFRS,

(c) the issuer is a reporting issuer in any jurisdiction immediately before the date of the final long form prospectus, and

(d) the final long form prospectus is filed before July 5, 2012..

37. This Instrument only applies to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.

38. Despite section 37, an issuer may apply the amendments set out in this Instrument to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus, or an amendment to a final prospectus of the issuer, which includes or incorporates by reference financial statements of the issuer in respect of periods relating to a financial year that begins before January 1, 2011 if the immediately preceding financial year ends no earlier than December 21, 2010 and if the issuer is relying on the exemption in section 5.3 of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.

39. This Instrument comes into force on January 1, 2011.

40. This Instrument may be cited as MSC Rule 2010-21.

Schedule B-2

Amendments to Companion Policy 41-101CP *Companion Policy to National Instrument 41-101 General Prospectus Requirements*

1. *Companion Policy 41-101CP Companion Policy to National Instrument 41-101 General Prospectus Requirements is amended.*
2. *Section 1.3 is amended by adding the following after subsection (2):*

Accounting terms

- (3) The Instrument uses accounting terms that are defined or used in Canadian GAAP applicable to publicly accountable enterprises. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, you should consider that NI 14-101 provides that a term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern prospectuses; or (b) the context otherwise requires.

Acceptable accounting principles other than Canadian GAAP applicable to publicly accountable enterprises

- (4) If an issuer is permitted under NI 52-107 to file financial statements in accordance with acceptable accounting principles other than Canadian GAAP applicable to publicly accountable enterprises, then the issuer may interpret any reference in the Instrument to a term or provision defined or used in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in the other acceptable accounting principles.

Financial statements prepared in accordance with different accounting principles

- (5) Issuers intending to include financial statements that are prepared in accordance with different accounting principles should consider the guidance in section 2.8 of Companion Policy 52-107CP *Acceptable Accounting Principles and Auditing Standards*.

Rate-regulated activities

- (6) If a qualifying entity is relying on the exemption in paragraph 5.4(1)(a) of NI 52-107, then the qualifying entity may interpret any reference in the Instrument to a term or provision defined or used in Canadian GAAP applicable to publicly accountable enterprises as a reference to the corresponding term or provision in Part V of the Handbook..

3. *Subsection 4.3(1) is replaced with the following:*

4.3(1) Subsection 6.3(1) of Form 41-101F1 requires disclosure of each of the principal purposes for which the issuer will use the net proceeds. If an issuer has negative cash flow from operating activities in its most recently completed financial year for which financial statements have been included in the long form prospectus, the issuer should prominently disclose that fact in the use of proceeds section of the long form prospectus. The issuer should also disclose whether, and if so, to what extent, the issuer will use the proceeds of the distribution to fund any anticipated negative cash flow from operating activities in future periods. An issuer should disclose negative cash flow from operating activities as a risk factor under subsection 21.1(1) of Form 41-101F1. For the purposes of this section, in determining cash flow from operating activities, the issuer must include cash payments related to dividends and borrowing costs..

4. *Subsection 4.4(1) is amended by replacing “capitalized, deferred or expensed” with “expensed or recognized as assets”.*

5. *Part 5 is amended by adding the following after section 5.1:*

Presentation of Financial Results

5.1.1 Canadian GAAP applicable to publicly accountable enterprises provides an issuer two alternatives in presenting its income: (a) in one single statement of comprehensive income, or (b) in a statement of comprehensive income with a separate income statement. If an issuer presents its income using the second alternative, both statements must be filed to satisfy the requirements of this Instrument. (See subsections 32.2(1.1) and 32.3(3) of Form 41-101F1)..

6. *Section 5.2 is amended*

(a) *by replacing “annual or interim financial statements” wherever it occurs with “annual financial statements or interim financial report”, and*

(b) *by adding “financial” before “statements for the purpose”.*

7. *Section 5.5 is amended by adding the following after subsection (2):*

(3) An issuer is subject to certain additional disclosure requirements when it discloses an interim financial report for a period in the year of adopting IFRS, as set out in subparagraph 32.3(2)(e) and subsection 32.3(4) of Form 41-101F1. These requirements only apply to interim financial reports relating to periods in the year of adopting IFRS and therefore do not apply if the prospectus includes annual financial statements prepared in accordance with IFRS.

An issuer is required to provide an opening IFRS statement of financial position at the date of transition to IFRS. An issuer with, for example, a year-end of December 31, 2010 that files a prospectus for which it must include its first interim financial report in the year of adopting IFRS for the period ended March 31, 2011, must generally provide an opening IFRS statement of financial position at January 1, 2010.

An issuer must also include various reconciliations required by IFRS 1 to explain how the transition from previous GAAP to IFRS has affected its reported financial position, financial performance and cash flows. In the first interim period IFRS 1 requires certain additional reconciliations which relate to annual periods and the date of transition to IFRS. Where an issuer that was not a reporting issuer in at least one jurisdiction immediately before filing the prospectus includes an interim financial report in respect of the second or third interim period in the year of adopting IFRS, subsection 32.3(4) of Form 41-101F1 requires these additional reconciliations to be included in the prospectus. Alternatively, pursuant to subsection 32.3(4) of Form 41-101F1, the issuer may include the first interim financial report in the year of adopting IFRS as this report includes the required reconciliations.

These additional reconciliations may be summarized as follows:

- reconciliations of the issuer's equity presented in accordance with previous GAAP to its equity in accordance with IFRS for the date of transition to IFRS (January 1, 2010 in the above-noted example);
- reconciliations of the issuer's equity presented in accordance with previous GAAP to its equity in accordance with IFRS for the end of the latest period presented in the issuer's most recent annual financial statements in accordance with previous GAAP (December 31, 2010 in the above-noted example); and
- a reconciliation of the issuer's total comprehensive income (or total profit or loss) presented in accordance with previous GAAP to its total comprehensive income in accordance with IFRS for the latest period in the issuer's most recent annual financial statements presented in the prospectus in accordance with previous GAAP (year ended December 31, 2010 in the above-noted example).

The reconciliations summarized above must give sufficient detail to enable investors to understand the material adjustments to the statement of financial position, statement of comprehensive income and statement of cash flows..

8. *Subsection 5.6(4) is amended*

- (a) *by replacing “audited interim financial statements” with “an audited interim financial report”,*
- (b) *by adding “comprehensive” before “income or cash flows”, and*
- (c) *by replacing “containing a reservation of opinion” with “that expresses a modified opinion”.*

9. *Subsection 5.8(2) is amended*

- (a) *by replacing “does not contain a reservation if they were audited in accordance with Canadian GAAS” with “expresses an unmodified opinion if they were audited in accordance with Canadian GAAS or International Standards on Auditing”,*
- (b) *by replacing “U.S. GAAS” with “U.S. PCAOB GAAS”,*
- (c) *by replacing “subsection 6.2(6) of NI 52-107 only applies” with “subsections 3.12(3) and 4.12(6) of NI 52-107 only apply”,*
- (d) *by replacing “reservation relating to opening inventory” with “qualified opinion relating to opening inventory”,*
- (e) *by replacing “contains no reservation and the business” with “expresses an unmodified opinion and the business”, and*
- (f) *by replacing “accompanied by an unqualified auditors’ report” with “accompanied by an auditors’ report that expresses an unmodified opinion”.*

10. *Section 5.9 is amended*

- (a) *in subparagraph (1)(h)(iii), by deleting “or”,*
- (b) *in subsection (2), by*
 - (i) *replacing “date of acquisition” with “acquisition date”, and*
 - (ii) *replacing “date of the acquisition” wherever it occurs with “acquisition date”,*
- (c) *in subsection (3), by replacing “Our interpretation of the phrase “where a reasonable person would believe that the likelihood of the acquisition being completed is high” is consistent with the concept of a likely contingency in CICA Handbook section 3290 “Contingencies”. It is” with “When interpreting the*

phrase “where a reasonable person would believe that the likelihood of the acquisition being completed is high”, it is”,

- (d) *in paragraph (4)(d), by replacing “comparative interim financial statements” with “a comparative interim financial report”, and*
 - (e) *by adding the following after subsection (6)*
 - (7) Section 3.11 of NI 52-107 permits acquisition statements included in a business acquisition report or prospectus to be prepared in accordance with Canadian GAAP applicable to private enterprises in certain circumstances. The ability to present acquisition statements using Canadian GAAP applicable to private enterprises would not extend to a situation where an entity acquired or to be acquired is considered the primary business or the predecessor of the issuer..
11. *Subsection 6.4(7) is amended*
- (a) *by replacing “Investment Dealers Association has adopted IDA by-law 29.13” with “Investment Industry Regulatory Organization of Canada has adopted IIROC Rule 29.13”, and*
 - (b) *by adding “securities” after “whether debt or equity”.*
12. *The following is added after Part 6:*
- PART 7: TRANSITION**
- Transition – Application of Amendments**
- 7.1** The amendments to the Instrument and this Policy which came into effect on January 1, 2011 only apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011..
13. *Appendix A is amended by replacing “operating results” wherever it occurs with “financial performance”.*
14. *These amendments only apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.*
15. *Despite section 14, an issuer may apply these amendments to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus, or an amendment to a*

final prospectus of the issuer, which includes or incorporates by reference financial statements of the issuer in respect of periods relating to a financial year that begins before January 1, 2011 if the immediately preceding financial year ends no earlier than December 21, 2010 and if the issuer is relying on the exemption in section 5.3 of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.

16. *These amendments become effective on January 1, 2011.*

Appendix C

Amendments to National Instrument 44-101 *Short Form Prospectus Distributions* and Companion Policy

Schedule C-1

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2010-22
(Section 149.1, *The Securities Act*)

AMENDMENT INSTRUMENT FOR
NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS

Although this amendment instrument amends section headers in National Instrument 44-101, section headers do not form part of the instrument and are inserted for ease of reference only.

1. National Instrument 44-101 Short Form Prospectus Distributions is amended by this Instrument.

2. Subsection 1.1 is amended, in the definition of “short form eligible exchange”, by replacing “Canadian Trading and Quotation System Inc.” with “Canadian National Stock Exchange”.

3. Paragraph 4.3(2)(a) is replaced with the following:

(a) U.S. AICPA GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the American Institute of Certified Public Accountants,

(a.1) U.S. PCAOB GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the Public Company Accounting Oversight Board (United States of America),.

4. The general instructions of Form 44-101F1 are amended

(a) in instruction (3), by deleting “This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.”,

(b) in instruction (8), by replacing “the Handbook” with “Canadian GAAP applicable to publicly accountable enterprises”, and

(c) in instruction (14), by replacing “disclose the currency in which the financial information is disclosed” with “display the presentation currency”.

5. Section 1.6.1 of Form 44-101F1 is amended by deleting “reporting”.

6. Section 6.1 of Form 44-101F1 is amended

(a) in paragraph (1)(c), by replacing “interim financial statements of the issuer have” with “an interim financial report of the issuer has”,

(b) in subparagraph 2(b)(i), by deleting “issued”,

(c) in paragraphs (2)(b) and (d), by replacing “annual or interim financial statements” wherever it occurs with “annual financial statements or interim financial report”,

(d) in paragraph (2)(c), by replacing “annual or interim financial statements” with “annual financial statements or interim financial report; and”,

(e) in paragraphs (2)(c) and (d), by deleting “long-term” wherever it occurs,

(f) in paragraph (2)(d), by replacing “prospectus; and” with “prospectus.”,

(g) by repealing paragraph (2)(e),

(h) by repealing subsection (3), and

(i) in subsection (4), by replacing “earnings required” with “numerator required”.

7. The instructions under item 6 of Form 44-101F1 are amended

(a) in instruction (2), by replacing “entity’s earnings (the numerator) by its interest” with “entity’s profit or loss attributable to owners of the parent (the numerator) by its borrowing costs”,

(b) in instruction (3),

(i) in paragraph (a), by replacing “net income before interest” with “profit or loss attributable to owners of the parent before borrowing costs”,

(ii) by repealing paragraph (c),

(iii) by replacing paragraph (d) with the following:

(d) for distributions of debt securities, the appropriate denominator is borrowing costs, after giving effect to the new debt securities issue and any retirement of obligations, plus the borrowing costs that have been capitalized during the period;

(iv) in subparagraph (e)(i), by replacing “annual interest requirements, including the amount of interest that has” with “annual borrowing cost requirements, including the borrowing costs that have”, and

- (v) in paragraph (f), by adding “securities” after “effect of the debt”,
- (c) in instruction (4),
 - (i) by replacing “interest obligations on all long-term debt” with “borrowing cost obligations on all financial liabilities”,
 - (ii) by replacing paragraph (a) with the following:
 - (a) the issuance of all financial liabilities and, in addition in the case of an issuance of preferred shares, all preferred shares issued, since the date of the annual financial statements or interim financial report,;
 - (iii) in paragraph (b), by adding “and” after “distributed;”,
 - (iv) by replacing paragraph (c) with the following:
 - (c) the repayment or redemption of all financial liabilities since the date of the annual financial statements or interim financial report, all financial liabilities to be repaid or redeemed from the proceeds to be realized from the sale of securities under the short form prospectus and, in addition, in the case of an issuance of preferred shares, all preferred shares repaid or redeemed since the date of the annual financial statements or interim financial report and all preferred shares to be repaid or redeemed from the proceeds to be realized from the sale of securities under the short form prospectus., and
 - (v) by repealing paragraph (d),
 - (d) by repealing instruction (5),
 - (e) in instruction (6), by replacing “interest requirements, after giving effect to the issue of [the debt securities to be distributed under the short form prospectus], amounted to \$• for the 12 months ended •. [Name of the issuer]’s earnings before interest and income tax for the 12 months then ended was \$•, which is • times [name of the issuer]’s interest requirements” with “borrowing cost requirements, after giving effect to the issue of [the debt securities to be distributed under the short form prospectus], amounted to \$• for the 12 months ended •. [Name of the issuer]’s profit or loss attributable to owners of the parent before borrowing costs and income tax for the 12 months then ended was \$•, which is • times [name of the issuer]’s borrowing cost requirements”, and
 - (f) in instruction (7), by replacing “interest requirements for the 12 months then ended amounted to \$•. [Name of the issuer]’s earnings before interest and income tax for the 12 months ended • was \$•, which is • times [name of the issuer]’s aggregate dividend and interest requirements” with “borrowing cost requirements for the 12 months then ended amounted to \$•. [Name of the issuer]’s profit or loss attributable to owners of the

parent before borrowing costs and income tax for the 12 months ended • was \$•, which is • times [name of the issuer]’s aggregate dividend and borrowing cost requirements”.

8. Paragraph 7.3(3)(b) of Form 44-101F1 is amended by replacing “income” with “profit”.

9. Paragraph 11.1(1)3 of Form 44-101F1 is amended by replacing “interim financial statements” with “interim financial report”.

10. Subsection 13.1(1) of Form 44-101F1 is amended

(a) in paragraph (c), by replacing “revenues” with “revenue”,

(b) in paragraph (g)

(i) in subparagraph (i), by replacing “sales or revenues” with “revenue”,

(ii) in subparagraph (ii), by replacing “income from continuing operations” with “profit or loss from continuing operations attributable to owners of the parent”,

(iii) in subparagraph (iii), by replacing “net earnings or loss” with “profit or loss attributable to owners of the parent”,

(iv) in subparagraph (iv), by replacing “balance sheet” with “statement of financial position”, and

(c) by adding the following instruction after paragraph (g):

INSTRUCTION

See section 1.1 of NI 41-101 for the definitions of “profit or loss attributable to owners of the parent” and “profit or loss from continuing operations attributable to owners of the parent”..

11. Subparagraph 13.2(f)(ii) of Form 44-101F1 is amended by replacing “interim and annual consolidated” with “consolidated interim financial report and consolidated annual”.

12. *This Instrument only applies to a preliminary short form prospectus, an amendment to a preliminary short form prospectus, a final short form prospectus or an amendment to a final short form prospectus of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.*

13. *Despite section 12, an issuer may apply the amendments set out in this Instrument to a preliminary short form prospectus, an amendment to a preliminary short form prospectus, a final short form prospectus, or an amendment to a final short form prospectus of the issuer, which includes or incorporates by reference financial statements of the issuer in respect of periods*

relating to a financial year that begins before January 1, 2011 if the immediately preceding financial year ends no earlier than December 21, 2010 and if the issuer is relying on the exemption in section 5.3 of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.

14. This Instrument comes into force on January 1, 2011.

15. This Instrument may be cited as MSC Rule 2010-22.

Schedule C-2

Amendments to Companion Policy 44-101CP to National Instrument 44-101 Short Form Prospectus Distributions

1. *Companion Policy 44-101CP to National Instrument 44-101 Short Form Prospectus Distributions is amended.*
2. *Subsection 1.7(4) is amended by replacing “former auditor” wherever it occurs with “predecessor auditor”.*
3. *Subsection 4.4(1) is amended*
 - (a) *by replacing “operating cash flow” wherever it occurs with “cash flow from operating activities”, and*
 - (b) *by adding the following at the end of the paragraph:*

For the purposes of this section, in determining cash flow from operating activities, the issuer must include cash payments related to dividends and borrowing costs..
4. *Section 4.9 is amended*
 - (a) *in subsection (1), by*
 - (i) *replacing “Our interpretation of” with “When interpreting”, and*
 - (ii) *replacing “is consistent with the concept of a likely contingency in CICA Handbook section 3290. It” with “, it”, and*
 - (b) *in subparagraph (2)(d), by replacing “comparative interim financial statements” with “a comparative interim financial report”.*
5. *Section 4.11 is amended by replacing “Interim financial statements” with “Certain transition rules in the applicable CD rule apply to the first interim financial report required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011. Otherwise, an interim financial report”.*
6. *Section 4.14 is amended by deleting “or MD&A supplement”.*
7. *The following is added after Part 5:*

PART 6 TRANSITION

- 6.1 Transition – The amendments to NI 44-101 and this Policy which came into effect on January 1, 2011 only apply to a preliminary short form prospectus, an amendment to a preliminary short form prospectus, a final short form prospectus or an amendment to a final short form prospectus of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011..
8. *These amendments only apply to a preliminary short form prospectus, an amendment to a preliminary short form prospectus, a final short form prospectus or an amendment to a final short form prospectus of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.*
9. *Despite section 8, an issuer may apply these amendments to a preliminary short form prospectus, an amendment to a preliminary short form prospectus, a final short form prospectus, or an amendment to a final short form prospectus of the issuer, which includes or incorporates by reference financial statements of the issuer in respect of periods relating to a financial year that begins before January 1, 2011 if the immediately preceding financial year ends no later than December 21, 2010 and if the issuer is relying on the exemption in section 5.3 of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.*
10. *These amendments become effective on January 1, 2011.*

Appendix D

THE MANITOBA SECURITIES COMMISSION
MSC RULE 2010-23
(Section 149.1, *The Securities Act*)

AMENDMENT INSTRUMENT FOR
NATIONAL INSTRUMENT 44-102
SHELF DISTRIBUTIONS

Although this amendment instrument amends section headers in National Instrument 44-102, section headers do not form part of the instrument and are inserted for ease of reference only.

1. National Instrument 44-102 Shelf Distributions is amended by this Instrument.

2. Subsection 6.2(4) is amended

(a) by deleting “Acceptable Accounting Principles, Auditing Standards and Reporting Currency”, and

(b) by replacing paragraph (a) with the following:

(a) U.S. AICPA GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the American Institute of Certified Public Accountants,

(a.1) U.S. PCAOB GAAS, the unaudited financial statements may be reviewed in accordance with the review standards issued by the Public Company Accounting Oversight Board (United States of America),.

3. Paragraph 8.4(a) is amended by replacing “interim” with “an interim financial report”.

4. This Instrument only applies to a preliminary base shelf prospectus, an amendment to a preliminary base shelf prospectus, a base shelf prospectus, an amendment to a base shelf prospectus or a shelf prospectus supplement of an issuer which includes or incorporates by reference financial statements of the issuer in respect of periods relating to financial years beginning on or after January 1, 2011.

5. Despite section 4, an issuer may apply the amendments set out in this Instrument to a preliminary base shelf prospectus, an amendment to a preliminary base shelf prospectus, a base shelf prospectus, an amendment to a base shelf prospectus, or a shelf prospectus supplement of the issuer, which includes or incorporates by reference financial statements of the issuer in respect of periods relating to a financial year that begins before January 1, 2011 if the immediately preceding financial year ends no earlier than December 21, 2010 and if the issuer is relying on the exemption in section 5.3 of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.

6. This Instrument comes into force on January 1, 2011.

7. This Instrument may be cited as MSC Rule 2010-23.