

NATIONAL POLICY No.12

DISCLOSURE OF "MARKET OUT" CLAUSES IN UNDERWRITING AGREEMENTS IN PROSPECTUSES

As a result of a number of situations which have developed in the past whereby Underwriters have exercised their discretion with respect to "market out" clauses contained in Underwriting Agreements which has resulted in a no offering or a cessation of an offering it was felt that prospectuses did not contain adequate disclosure with respect to the "market out" clauses contained in the Underwriting Agreement. As a result the following is required:

Cover Page:

The following wording will be required on the Cover Page of a prospectus to ensure disclosure of the conditional aspects of the Underwriting Agreement and a proper reference to the location of further details in the prospectus.

"We, as principals, conditionally offer these Debentures, subject to prior sale, if, as and when issued by the company and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under Plan of Distribution on Page and subject to the approval of all legal matters on behalf of the company by Messrs. and our behalf by Messrs."

Plan of Distribution:

The following wording shall be included under this section:

"Under an agreement dated 19 between the company and as underwriter, the company has agreed to sell and the underwriter has agreed to purchase on 19..... the \$..... principal amount of Debentures at a price of \$..... per \$100 principal amount thereof plus accrued interest to the date of delivery, payable in cash to the company against delivery of the Debentures. The obligations of the underwriter under such agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The underwriter is, however, obligated to take up and pay for all the Debentures if any of the Debentures are purchased under such agreement."

The above wording represents terminology which would be considered acceptable, however, other wording would also be considered acceptable providing such wording would not alter the effectiveness of the disclosure.