

M.O., 2005-10**Order number V-1.1-2005-10 of the Minister of Finance dated 7 June 2005**

Securities Act
(R.S.Q., c. V-1.1; 2004, c. 37)

CONCERNING the Regulation 52-110 respecting audit committees

WHEREAS the Securities Act (R.S.Q., c. V-1.1) has been amended by the chapter 37 of the statutes of 2004;

WHEREAS paragraphs 1, 11, 19.2 and 34 of section 331.1 of the Securities Act stipulate that the Autorité des marchés financiers may make regulations concerning the matters referred to in those paragraphs;

WHEREAS the third and fourth paragraphs of section 331.2 of the said Act stipulate that a draft regulation shall be published in the Bulletin of the Authority, accompanied with the notice required under section 10 of the Regulations Act (R.S.Q., c. R-18.1) and may not be submitted for approval or be made before 30 days have elapsed since its publication;

WHEREAS the first and fifth paragraphs of the said section stipulate that every regulation made under section 331.1 must be approved, with or without amendment, by the Minister of Finance and comes into force on the date of its publication in the *Gazette officielle du Québec* or any later date specified in the regulation;

WHEREAS sections 691 and 696 of chapter 45 of the statutes of 2002 stipulate, in particular, that sections 331.1 and 331.2 of the Securities Act are amended by replacing “Commission” wherever it appears by “Agency”, and making the necessary modifications;

WHEREAS sections 37 and 38 of chapter 37 of the statutes of 2004 stipulate, in particular, that sections 331.1 and 331.2 of the Securities Act are amended by replacing “Agency” wherever it appears by “Authority”;

WHEREAS the draft Regulation 52-110 respecting audit committees was published in the Supplement to the weekly Bulletin of the Commission des valeurs mobilières du Québec, volume 35, No. 2 of January 16, 2004;

WHEREAS on June 3, 2005, by the decision No. 2005-PDG-0154, the Authority made the Regulation 52-110 respecting audit committees;

WHEREAS there is cause to approve this regulation without amendment;

CONSEQUENTLY, the Minister of Finance approves without amendment the Regulation 52-110 respecting audit committees appended hereto.

June 7, 2005

MICHEL AUDET,
Minister of Finance

Regulation 52-110 respecting audit committees

Securities Act
(R.S.Q., c. V-1.1, s. 331.1, par. (1), (11), (19.2) and (34); 2004, c. 37)

PART 1
DEFINITIONS AND APPLICATION**1.1 Definitions**

In this Regulation,

“accounting principles” has the meaning ascribed to it in Regulation 52-107 respecting Acceptable Accounting Principles, Auditing Standards and Reporting Currency approved by Minister’s Order No. 2005-08 dated May 19, 2005;

“AIF” has the meaning ascribed to it in Regulation 51-102 respecting Continuous Disclosure Obligations approved by Minister’s Order No. 2005-03 dated May 19, 2005;

“asset-backed security” has the meaning ascribed to it in Regulation 51-102;

“audit committee” means a committee (or an equivalent body) established by and among the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits, by its external auditor, of the financial statements of the issuer, and, if no such committee exists, the entire board of directors of the issuer;

“audit services” means the professional services rendered by the issuer’s external auditor for the audit and review of the issuer’s financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

“board of directors” means, for a person or company that does not have a board of directors, an individual or group that acts in a capacity similar to a board of directors;

“credit support issuer” has the meaning ascribed to it in section 13.4 of Regulation 51-102;

“designated foreign issuer” has the meaning ascribed to it in Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers;

“exchangeable security issuer” has the meaning ascribed to it in section 13.3 of Regulation 51-102;

“executive officer” of an entity means an individual who is:

(a) a chair of the entity;

(b) a vice-chair of the entity;

(c) the president of the entity;

(d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production;

(e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or

(f) an individual who performs a policy-making function in respect of the entity, excluding the individuals set out in paragraphs *a* to *e*;

“foreign private issuer” means an issuer that is a foreign private issuer within the meaning of Rule 405 under the 1934 Act;

“immediate family member” means an individual’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the individual or the individual’s immediate family member) who shares the individual’s home;

“investment fund” has the meaning ascribed to it in Regulation 51-102;

“marketplace” has the meaning ascribed to it in Regulation entitled National Instrument 21-101, Marketplace Operation adopted by the Commission des valeurs mobilières du Québec pursuant to decision No. 2001-C-0409 dated August 28, 2001;

“MD&A” has the meaning ascribed to it in Regulation 51-102;

“non-audit services” means services other than audit services;

“SEC foreign issuer” has the meaning ascribed to it in Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers approved by Minister’s Order No. 2005-07 dated May 19, 2005;

“U.S. marketplace” means an exchange registered as a ‘national securities exchange’ under section 6 of the 1934 Act, or the Nasdaq Stock Market;

“venture issuer” means an issuer that, at the end of its most recently completed financial year, does not have any of its securities listed or quoted on the Toronto Stock Exchange, a U.S. marketplace or a marketplace outside of Canada and the United States of America.”

1.2 Application

This Regulation applies to all reporting issuers other than:

(a) investment funds;

(b) issuers of asset-backed securities;

(c) designated foreign issuers;

(d) SEC foreign issuers;

(e) issuers that are subsidiary entities, if

i. the subsidiary entity does not have equity securities (other than non-convertible, non-participating preferred securities) trading on a marketplace, and

ii. the parent of the subsidiary entity is

(A) subject to the requirements of this Regulation, or

(B) an issuer that (1) has securities listed or quoted on a U.S. marketplace, and (2) is in compliance with the requirements of that U.S. marketplace applicable to issuers, other than foreign private issuers, regarding the role and composition of audit committees;

(f) exchangeable security issuers, if the exchangeable security issuer qualifies for the relief contemplated by, and is in compliance with the requirements and conditions set out in, section 13.3 of Regulation 51-102; and

(g) credit support issuers, if the credit support issuer qualifies for the relief contemplated by, and is in compliance with the requirements and conditions set out in, section 13.4 of Regulation 51-102.

1.3 Member of Affiliated Entity, Subsidiary Entity and Control

(1) For the purposes of this Regulation, a person or company is considered to be an affiliated entity of another person or company if

(a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company, or

(b) the person is an individual who is

i. both a director and an employee of an affiliated entity, or

ii. an executive officer, general partner or managing member of an affiliated entity.

(2) For the purposes of this Regulation, a person or company is considered to be a subsidiary entity of another person or company if

(a) it is controlled by,

i. that other, or

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

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

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

(3) For the purpose of this Regulation, "control" means the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise.

(4) Despite subsection (1), an individual will not be considered to control an issuer for the purposes of this Regulation if the individual:

(a) owns, directly or indirectly, ten per cent or less of any class of voting securities of the issuer; and

(b) is not an executive officer of the issuer.

1.4 Independence

(1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

(2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.

(3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

(a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;

(c) an individual who:

i. is a partner of a firm that is the issuer's internal or external auditor,

ii. is an employee of that firm, or

iii. was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

i. is a partner of a firm that is the issuer's internal or external auditor,

ii. is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

iii. was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.

(4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because

(a) he or she had a relationship identified in subsection (3) if that relationship ended before June 30, 2005; or

(b) he or she had a relationship considered to be material under this section with the parent or subsidiary of the issuer that ended before June 30, 2005.

(5) For the purposes of clauses (3)c and (3)d, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

(6) For the purposes of clause (3)f, direct compensation does not include:

(a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and

(b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

(7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member

(a) has previously acted as an interim chief executive officer of the issuer, or

(b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

(8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

1.5 Additional Independence Requirements

(1) Despite any determination made under section 1.4, an individual who

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(b) is an affiliated entity of the issuer or any of its subsidiary entities,

is considered to have a material relationship with the issuer.

(2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by

(a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

(3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

1.6 Meaning of Financial Literacy

For the purposes of this Regulation, an individual is financially literate if he or she has 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 issuer's financial statements.

PART 2

AUDIT COMMITTEE RESPONSIBILITIES

2.1 Audit Committee

Every issuer must have an audit committee that complies with the requirements of the Regulation.

2.2 Relationship with External Auditors

Every issuer must require its external auditor to report directly to the audit committee.

2.3 Audit Committee Responsibilities

(1) An audit committee must have a written charter that sets out its mandate and responsibilities.

(2) An audit committee must recommend to the board of directors :

(a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer; and

(b) the compensation of the external auditor.

(3) An audit committee must be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.

(4) An audit committee must pre-approve all non-audit services to be provided to the issuer or its subsidiary entities by the issuer's external auditor.

(5) An audit committee must review the issuer's financial statements, MD&A and annual and interim earnings press releases before the issuer publicly discloses this information.

(6) An audit committee must be satisfied that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the issuer's financial statements, other than the public disclosure referred to in subsection (5), and must periodically assess the adequacy of those procedures.

(7) An audit committee must establish procedures for:

(a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

(b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

(8) An audit committee must review and approve the issuer's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.

2.4 De Minimis Non-Audit Services

An audit committee satisfies the pre-approval requirement in subsection 2.3(4) if:

(a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the fiscal year in which the services are provided;

(b) the issuer or the subsidiary entity of the issuer, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

(c) the services are promptly brought to the attention of the audit committee of the issuer and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated by the audit committee.

2.5 Delegation of Pre-Approval Function

(1) An audit committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(4).

(2) The pre-approval of non-audit services by any member to whom authority has been delegated pursuant to subsection (1) must be presented to the audit committee at its first scheduled meeting following such pre-approval.

2.6 Pre-Approval Policies and Procedures

An audit committee satisfies the pre-approval requirement in subsection 2.3(4) if it adopts specific policies and procedures for the engagement of the non-audit services, if:

(a) the pre-approval policies and procedures are detailed as to the particular service;

(b) the audit committee is informed of each non-audit service; and

(c) the procedures do not include delegation of the audit committee's responsibilities to management.

PART 3

COMPOSITION OF THE AUDIT COMMITTEE

3.1 Composition

(1) An audit committee must be composed of a minimum of three members.

(2) Every audit committee member must be a director of the issuer.

(3) Subject to sections 3.2, 3.3, 3.4, 3.5 and 3.6, every audit committee member must be independent.

(4) Subject to sections 3.5 and 3.8, every audit committee member must be financially literate.

3.2 Initial Public Offerings

(1) Subject to section 3.9, if an issuer has filed a prospectus to qualify the distribution of securities that constitutes its initial public offering, subsection 3.1(3) does not apply for a period of up to 90 days commencing on the date of the receipt for the prospectus, provided that one member of the audit committee is independent.

(2) Subject to section 3.9, if an issuer has filed a prospectus to qualify the distribution of securities that constitutes its initial public offering, subsection 3.1(3) does not apply for a period of up to one year commencing on the date of the receipt for the prospectus, provided that a majority of the audit committee members are independent.

3.3 Controlled Companies

(1) An audit committee member that sits on the board of directors of an affiliated entity is exempt from the requirement in subsection 3.1(3) if the member, except for being a director (or member of a board committee) of the issuer and the affiliated entity, is otherwise independent of the issuer and the affiliated entity.

(2) Subject to section 3.7, an audit committee member is exempt from the requirement in subsection 3.1(3) if:

(a) the member would be independent of the issuer but for the relationship described in paragraph 1.5(1)*b* or as a result of section 1.4;

(b) the member is not an executive officer, general partner or managing member of a person or company that

i. is an affiliated entity of the issuer, and

ii. has its securities trading on a marketplace;

(c) the member is not an immediate family member of an executive officer, general partner or managing member referred to in paragraph *b*, above;

(d) the member does not act as the chair of the audit committee; and

(e) the board determines in its reasonable judgement that

i. the member is able to exercise the impartial judgement necessary for the member to fulfill his or her responsibilities as an audit committee member, and

ii. the appointment of the member is required by the best interests of the issuer and its shareholders.

3.4 Events Outside Control of Member

Subject to section 3.9, if an audit committee member ceases to be independent for reasons outside the member's reasonable control, the member is exempt from the requirement in subsection 3.1(3) for a period ending on the later of:

(a) the next annual meeting of the issuer, and

(b) the date that is six months from the occurrence of the event which caused the member to not be independent.

3.5 Death, Disability or Resignation of Member

Subject to section 3.9, if the death, disability or resignation of an audit committee member has resulted in a vacancy on the audit committee that the board of directors is required to fill, an audit committee member appointed to fill such vacancy is exempt from the requirements in subsections 3.1(3) and (4) for a period ending on the later of:

(a) the next annual meeting of the issuer, and

(b) the date that is six months from the day the vacancy was created.

3.6 Temporary Exemption for Limited and Exceptional Circumstances

Subject to section 3.7, an audit committee member is exempt from the requirement in subsection 3.1(3) if:

(a) the member is not an individual described in subsection 1.5(1);

(b) the member is not an employee or officer of the issuer, or an immediate family member of an employee or officer of the issuer;

(c) the board, under exceptional and limited circumstances, determines in its reasonable judgement that

i. the member is able to exercise the impartial judgement necessary for the member to fulfill his or her responsibilities as an audit committee member, and

ii. the appointment of the member is required by the best interests of the issuer and its shareholders;

(d) the member does not act as chair of the audit committee; and

(e) the member does not rely upon this exemption for a period of more than two years.

3.7 Majority Independent

The exemptions in subsection 3.3(2) and section 3.6 are not available to a member unless a majority of the audit committee members would be independent.

3.8 Acquisition of Financial Literacy

Subject to section 3.9, an audit committee member who is not financially literate may be appointed to the audit committee provided that the member becomes financially literate within a reasonable period of time following his or her appointment.

3.9 Restriction on Use of Certain Exemptions

The exemptions in sections 3.2, 3.4, 3.5 and 3.8 are not available to a member unless the issuer's board of directors has determined that the reliance on the exemption will not materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of this Regulation.

PART 4

AUTHORITY OF THE AUDIT COMMITTEE

4.1 Authority

An audit committee must have the authority

(a) to engage independent counsel and other advisors as it determines necessary to carry out its duties,

(b) to set and pay the compensation for any advisors employed by the audit committee, and

(c) to communicate directly with the internal and external auditors.

PART 5

REPORTING OBLIGATIONS

5.1 Required Disclosure

Every issuer must include in its AIF the disclosure required by Form 52-110F1.

5.2 Management Information Circular

If management of an issuer solicits proxies from the security holders of the issuer for the purpose of electing directors to the issuer's board of directors, the issuer must include in its management information circular a cross-reference to the sections in the issuer's AIF that contain the information required by section 5.1.

PART 6

VENTURE ISSUERS

6.1 Venture Issuers

Venture issuers are exempt from the requirements of Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

6.2 Required Disclosure

(1) Subject to subsection (2), if management of a venture issuer solicits proxies from the security holders of the venture issuer for the purpose of electing directors to its board of directors, the venture issuer must include in its management information circular the disclosure required by Form 52-110F2.

(2) A venture issuer that is not required to send a management information circular to its security holders must provide the disclosure required by Form 52-110F2 in its AIF or annual MD&A.

PART 7

U.S. LISTED ISSUERS

7.1 U.S. Listed Issuers

An issuer that has securities listed or quoted on a U.S. marketplace is exempt from the requirements of Parts 2 (Audit Committee Responsibilities), 3 (Composition of the Audit Committee), 4 (Authority of the Audit Committee), and 5 (Reporting Obligations), if:

(a) the issuer is in compliance with the requirements of that U.S. marketplace applicable to issuers, other than foreign private issuers, regarding the role and composition of audit committees; and

(b) if the issuer is incorporated, continued or otherwise organized in a jurisdiction in Canada, the issuer includes in its AIF the disclosure (if any) required by paragraph 7 of Form 52-110F1.

PART 8 **EXEMPTIONS**

8.1 Exemptions

(1) The securities regulatory authority may grant an exemption from this rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) In Québec, this exemption is granted pursuant to section 263 of the Securities Act (R.S.Q., c. V-1.1).

PART 9 **EFFECTIVE DATE**

9.1 Effective Date

(1) This Regulation comes into force on June 30, 2005.

FORM 52-110F1 **AUDIT COMMITTEE INFORMATION REQUIRED** **IN AN AIF**

1. The Audit Committee's Charter

Disclose the text of the audit committee's charter.

2. Composition of the Audit Committee

Disclose the name of each audit committee member and state whether or not the member is (i) independent and (ii) financially literate.

3. Relevant Education and Experience

Describe the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member and, in particular, disclose any education or experience that would provide the member with:

(a) an understanding of the accounting principles used by the issuer to prepare its financial statements;

(b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements, or experience actively supervising one or more individuals engaged in such activities; and

(d) an understanding of internal controls and procedures for financial reporting.

4. Reliance on Certain Exemptions

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied on

(a) the exemption in section 2.4 (De Minimis Non-audit Services),

(b) the exemption in section 3.2 (Initial Public Offerings),

(c) the exemption in section 3.4 (Events Outside Control of Member),

(d) the exemption in section 3.5 (Death, Disability or Resignation of Audit Committee Member) or

(e) an exemption from this Instrument, in whole or in part, granted under Part 8 (Exemptions),

state that fact.

5. Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied upon the exemption in subsection 3.3(2) (Controlled Companies) or section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances), state that fact and disclose

(a) the name of the member, and

(b) the rationale for appointing the member to the audit committee.

6. Reliance on Section 3.8

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied upon section 3.8 (Acquisition of Financial Literacy), state that fact and disclose

- (a) the name of the member,
- (b) that the member is not financially literate, and
- (c) the date by which the member expects to become financially literate.

7. Audit Committee Oversight

If, at any time since the commencement of the issuer's most recently completed financial year, a recommendation of the audit committee to nominate or compensate an external auditor was not adopted by the board of directors, state that fact and explain why.

8. Pre-Approval Policies and Procedures

If the audit committee has adopted specific policies and procedures for the engagement of non-audit services, describe those policies and procedures.

9. External Auditor Service Fees (By Category)

(1) Disclose, under the caption "Audit Fees", the aggregate fees billed by the issuer's external auditor in each of the last two fiscal years for audit services.

(2) Disclose, under the caption "Audit-Related Fees", the aggregate fees billed in each of the last two fiscal years for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under clause (1) above. Include a description of the nature of the services comprising the fees disclosed under this category.

(3) Disclose, under the caption "Tax Fees", the aggregate fees billed in each of the last two fiscal years for professional services rendered by the issuer's external auditor for tax compliance, tax advice, and tax planning. Include a description of the nature of the services comprising the fees disclosed under this category.

(4) Disclose, under the caption "All Other Fees", the aggregate fees billed in each of the last two fiscal years for products and services provided by the issuer's external auditor, other than the services reported under clauses (1) to (3), above. Include a description of the nature of the services comprising the fees disclosed under this category.

INSTRUCTION

The fees required to be disclosed by this paragraph 9 relate only to services provided to the issuer or its subsidiary entities by the issuer's external auditor.

FORM 52-110F2 DISCLOSURE BY VENTURE ISSUERS

1. The Audit Committee's Charter

Disclose the text of the audit committee's charter.

2. Composition of the Audit Committee

Disclose the name of each audit committee member and state whether or not the member is (i) independent and (ii) financially literate.

3. Relevant Education and Experience

Describe the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member and, in particular, disclose any education or experience that would provide the member with:

- (a) an understanding of the accounting principles used by the issuer to prepare its financial statements;
- (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer's financial statements, or experience actively supervising one or more individuals engaged in such activities; and

(d) an understanding of internal controls and procedures for financial reporting.

4. Audit Committee Oversight

If, at any time since the commencement of the issuer's most recently completed financial year, a recommendation of the audit committee to nominate or compensate an external auditor was not adopted by the board of directors, state that fact and explain why.

5. Reliance on Certain Exemptions

If, at any time since the commencement of the issuer's most recently completed financial year, the issuer has relied on

(a) the exemption in section 2.4 (De Minimis Non-audit Services), or

(b) an exemption from this Instrument, in whole or in part, granted under Part 8 (Exemptions),

state that fact.

6. Pre-Approval Policies and Procedures

If the audit committee has adopted specific policies and procedures for the engagement of non-audit services, describe those policies and procedures.

7. External Auditor Service Fees (By Category)

(1) Disclose, under the caption "Audit Fees", the aggregate fees billed by the issuer's external auditor in each of the last two fiscal years for audit fees.

(2) Disclose, under the caption "Audit-Related Fees", the aggregate fees billed in each of the last two fiscal years for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under clause (1) above. Include a description of the nature of the services comprising the fees disclosed under this category.

(3) Disclose, under the caption "Tax Fees", the aggregate fees billed in each of the last two fiscal years for professional services rendered by the issuer's external auditor for tax compliance, tax advice, and tax planning. Include a description of the nature of the services comprising the fees disclosed under this category.

(4) Disclose, under the caption "All Other Fees", the aggregate fees billed in each of the last two fiscal years for products and services provided by the issuer's external auditor, other than the services reported under clauses (1) to (3), above. Include a description of the nature of the services comprising the fees disclosed under this category.

INSTRUCTION

The fees required to be disclosed by this paragraph 7 relate only to services provided to the issuer or its subsidiary entities by the issuer's external auditor.

8. Exemption

Disclose that the issuer is relying upon the exemption in section 6.1 of the Instrument.

6886

M.O., 2005-09

Order number V-1.1-2005-09 of the Minister of Finance dated 7 June 2005

Securities Act
(R.S.Q., c. V-1.1 ; 2004, c. 37)

CONCERNING the Regulation 52-109 respecting certification of disclosure in issuers annual and interim filings

WHEREAS the Securities Act (R.S.Q., c. V-1.1) has been amended by the chapter 37 of the statutes of 2004;

WHEREAS paragraphs 1, 2, 3, 9, 11, 20 and 34 of section 331.1 of the Securities Act stipulate that the Autorité des marchés financiers may make regulations concerning the matters referred to in those paragraphs;

WHEREAS the third and fourth paragraphs of section 331.2 of the said Act stipulate that a draft regulation shall be published in the Bulletin of the Authority, accompanied with the notice required under section 10 of the Regulations Act (R.S.Q., c. R-18.1) and may not be submitted for approval or be made before 30 days have elapsed since its publication;

WHEREAS the first and fifth paragraphs of the said section stipulate that every regulation made under section 331.1 must be approved, with or without amendment, by the Minister of Finance and comes into force on the date of its publication in the *Gazette officielle du Québec* or any later date specified in the regulation;

WHEREAS sections 691 and 696 of chapter 45 of the statutes of 2002 stipulate, in particular, that sections 331.1 and 331.2 of the Securities Act are amended by replacing "Commission" wherever it appears by "Agency", and making the necessary modifications;

WHEREAS sections 37 and 38 of chapter 37 of the statutes of 2004 stipulate, in particular, that sections 331.1 and 331.2 of the Securities Act are amended by replacing "Agency" wherever it appears by "Authority";