



Brought to you by the Canadian Securities Administrators

Securities regulators oversee Canada's capital markets and the advisers who sell and manage investments traded in those markets. We strive to protect investors from unfair, improper and fraudulent practices while fostering a fair and efficient marketplace.

The CSA is comprised of the 13 provincial and territorial securities regulators.

Alberta Securities Commission
www.albertasecurities.com
Tel: (403) 297-6454 or (780) 427-5201

British Columbia Securities Commission
www.bcsc.bc.ca
Tel: (604) 899-6500 or 1-800-373-6393

Manitoba Securities Commission
www.msc.gov.mb.ca
Tel: (204) 945-2548 or 1-800-655-5244

**New Brunswick Securities Administration
Branch**
www.investor-info.ca
(506) 658-3060

**Securities Commission of Newfoundland and
Labrador**
www.gov.nf.ca/gsl/cca/s
(709) 729-4189

Northwest Territories Registrar of Securities
www.justice.gov.nt.ca
(867) 920-3318

Nova Scotia Securities Commission
www.gov.ns.ca/nssc
(902) 424-7768

Nunavut Registrar of Securities
(867) 975-6190

Ontario Securities Commission
www.osc.gov.on.ca
(416) 593-8314 or 1-877-785-1555

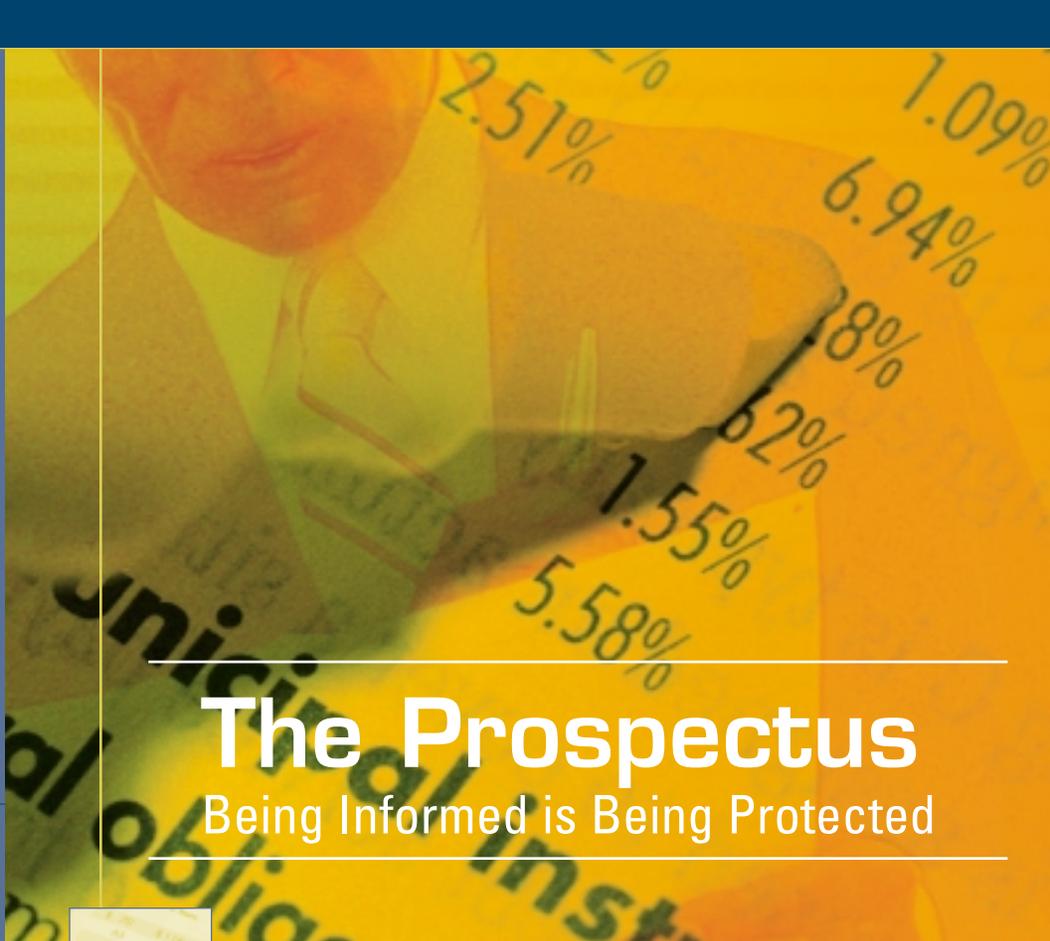
**Prince Edward Island Office of the Attorney
General**
www.gov.pe.ca
(902) 368-4550

Commission des valeurs mobilières du Québec
www.cvmq.com
(514) 940-2150 or 1-800-361-5072

Saskatchewan Securities Commission
www.ssc.gov.sk.ca
(306) 787-5645

Yukon Registrar of Securities
(867) 667-5225

www.csa-acvm.ca



The Prospectus

Being Informed is Being Protected



CSA/ACVM

Canadian Securities
Administrators

Autorités canadiennes
en valeurs mobilières

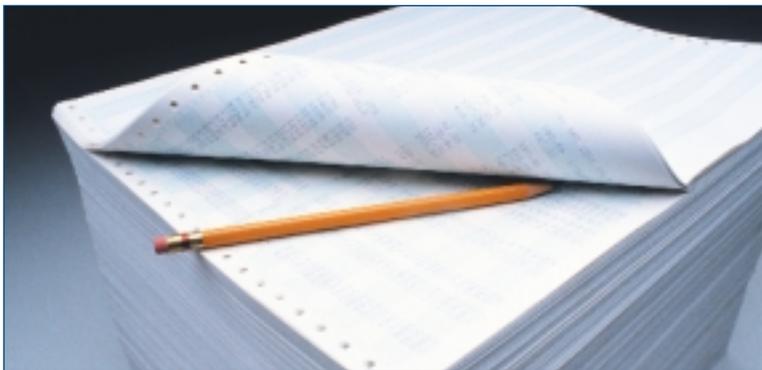


The cornerstone of investor protection is to ensure that investors have access to accurate and up-to-date information about any company or mutual fund in which they might choose to invest. Public access to information to make sound investment decisions is why companies and mutual funds are required to prepare prospectuses, financial statements and other public disclosure materials.

A prospectus is invaluable as the starting point to making an informed decision. It gives investors and their financial advisers information about a company or mutual fund, including information on products, management, financial and strategic planning, and risks. Reading a prospectus is the first step to becoming an informed investor.

What is a Prospectus?

A prospectus is a detailed document that normally must be prepared whenever an issuer (company, limited partnership, trust or mutual fund which is selling their securities) plans to sell securities to the public. It must, by law, provide full, true and plain disclosure of all important facts relating to the securities being issued. It must also be accepted for filing by the securities regulators and delivered to every person who buys the securities. Some jurisdictions allow a summary simplified prospectus, which is an abbreviated version. This is supplied to investors, although the detailed prospectus is available on request.



How Does the Prospectus Process Work?

When an issuer decides to sell its securities to the public, it first prepares a **preliminary prospectus** and files that document with the securities regulators for review. A preliminary prospectus has most of the information that will end up in the final version of the prospectus, but may be missing certain important information such as the price or number of securities being sold.

Once the preliminary prospectus has been properly filed, the issuer can use it to find out if investors are actually interested in buying the securities, provided that each potential investor gets a copy of the preliminary prospectus. The issuer cannot actually sell their securities using the preliminary prospectus, they can only find out if people are interested in buying.

When the securities regulators complete their review, the issuer prepares and files a final version of the prospectus and the regulators issue a receipt (confirms that the regulators have approved the prospectus) for it. Once the prospectus receipt has been issued, the issuer can begin to sell their securities. A copy of the prospectus must be sent to every purchaser.

What Information Will I Find in a Prospectus?

Anyone selling securities to the public will need to use a prospectus, but what you will find in a prospectus will depend on how the issuer is set up. **A typical prospectus for a corporation includes:**

- the history of the issuer and a description of its operations;
- audited financial statements for the previous three years;
- a description of the issuer's business and investment plans;
- a description of the intended use of the money raised from selling the securities;
- a summary of the major risk factors affecting the issuer;



- information about the issuer's management and its principal shareholders (those who own more than 10%);
- a description of the legal rights of investors to withdraw from the purchase, or to sue for rescission (the return of their investment) or damages if the prospectus contains a misrepresentation.

Mutual Funds also have prospectuses which cover similar information to a corporation's prospectus such as risks in the investment and financial performance. ***In addition, you should find answers about:***

- What does the fund invest in?
- How are fees paid to the fund manager calculated?
- How has the fund performed?
- How is the value of the fund units calculated?
- Are those fees payable on purchase or redemption of fund units?

Why Should I Read the Prospectus?

We all need information to make decisions. We read the newspaper to stay informed of current events. We listen to weather reports to know if we need an umbrella. Investing is no different. Prospectuses are required by law to contain the facts. It is the **facts**, not promotional hype or a sales pitch, that should be the basis for investment decisions.

A prospectus allows investors to protect themselves by giving them detailed information about the issuer and about the securities being sold. In the prospectus, investors can find answers to many of the questions they would naturally ask before making an investment. ***Some questions might include:***

- Is the issuer well established or is it new with little or no history?

- What business is it in? Who are its competitors?
- What are the issuer's business plans and how does it intend to spend the proceeds of this offering?
- Has the issuer been profitable in the past? Has its financial performance been improving or declining in recent years?
- What assets does it hold?
- Does it have substantial debt?
- What other securities have already been issued?
- Who are the directors and officers? Do they have established track records of success? Do they have qualifications relevant to the issuer's business? How will they be compensated? Have they had any regulatory problems in the past?
- What are the major risk factors that could affect the issuer's performance in the future?
- Is there a market where the issuer's securities can be sold?

Armed with the facts, investors are better able to make decisions which are right for them. They can look at the merit of the investment, the risks and how the particular investment fits their needs and objectives. By reviewing the prospectus, investors will be better able to determine whether the investment has merit and whether the levels of risk and potential return fit their particular investment needs and objectives.

Securities laws require issuers to take great care to ensure the statements made in their prospectuses are accurate, as it is illegal to file a false or misleading prospectus. If material



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misrepresentations are found in a prospectus, each person who bought securities under the prospectus has the right to sue for the return of their money (rescission) or damages. A misrepresentation can be false information in the prospectus, or information that was not included in the prospectus which might better explain the facts in the prospectus. A material misrepresentation is one that would affect the value of the security being sold.

The law also protects investors by giving them the right to withdraw from any purchase under a prospectus for two days after they or in some cases their financial adviser receives the prospectus.



REMEMBER

The fact that a securities regulator accepts a prospectus is not a 'seal of approval' that the securities are a safe investment or are suitable for you to invest in. You and your adviser must determine if it is the right investment for you.

Where Can I get a Copy of the Prospectus?

Ask your financial adviser for a copy of the prospectus **before** you buy. Copies can also be obtained by calling the issuer or the dealers who are acting as the issuer's agents in the offering. The prospectus will also be available for viewing at any stock exchange on which the securities are listed. Most prospectuses filed in Canada since mid-1997 are also available through the Internet at www.sedar.com. They may also be available on the issuer's Internet site.

After the Prospectus – Selling your securities

Securities sold using a prospectus can be traded among investors. The price that they trade at and how quickly they can be sold are determined by what kind of market there is

for the securities you bought. Just because securities are sold using a prospectus does not mean they will be listed on a stock exchange. If they do not trade on a stock exchange this can affect an investor's ability to sell the securities they purchased as there may not be interested buyers. Read the prospectus – it will tell you if the shares are going to be listed on an exchange and on which exchange.

After the Prospectus – the Responsibilities of Reporting Issuers

Once an issuer obtains a receipt for a prospectus in any province or territory, it must file information about itself with the security regulators. The issuer becomes a "reporting issuer" in most provinces. The basic requirements for a reporting issuer are to file and send to the owners of its securities periodic financial statements. They must also file reports and issue news releases for material changes in its affairs (a change is material if it will affect the price of the issuer's securities).

All the materials reporting issuers file are available to the public at most of the securities regulators, at any stock exchanges on which the securities are listed, and on the Internet at www.sedar.com.

Beside the issuer, persons who are insiders of an issuer must file regular reports about any trades they make in the issuer's securities. An insider is a person who is a director or senior officer of an issuer. Insider reports are available for public viewing at the offices of the securities regulators, and will soon be available on the internet at www.sedi.ca.



REMEMBER

The purpose of a prospectus is to protect the investor. By reading it you will have the information you need to make a sound investment decision.