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Dear Sirs/Mesdames:

**Re: Canadian Response to Recent U.S. Securities Regulatory Developments -
Corporate Governance and Director and Management Accountability**

You may be aware of the enactment by the U.S. Congress in July 2002 of the Sarbanes-Oxley Act of 2002 (“SOX”) and the recent changes to the listing requirements of the New York Stock Exchange (the “NYSE”) in response to the report of the NYSE Corporate Accountability and Listings Standards (collectively, the “U.S. Regulatory Changes”).

In terms of scope and substantive content, SOX is one of the most significant legislative enactments affecting U.S. capital market participants in the last several decades. The U.S. Regulatory Changes were made in response to the recent financial scandals such as Enron and WorldCom and are an attempt to strengthen corporate governance and make directors and management more accountable to shareholders. The attached survey briefly summarizes the U.S. Regulatory Changes and seeks your input on them. Further details relating to the U.S. Regulatory Changes and a comparison to existing Alberta requirements can be found in the attached comparison chart entitled “Comparison of Sarbanes-Oxley Act (“SOX”)/New York Stock Exchange (“NYSE”) to Alberta Requirements”.

The Ontario Securities Commission (the “OSC”) has suggested imposing provisions equivalent to the U.S. Regulatory Changes on Canadian issuers that are interlisted on an American exchange. The OSC is also considering whether to impose equivalent provisions on all other Canadian issuers. The Alberta Securities Commission (the “ASC”) is currently assessing whether any of the U.S. Regulatory Changes should be imposed on Alberta reporting issuers. To that end, we are soliciting feedback from market participants that would be significantly impacted in the event some or all of the U.S. Regulatory Changes are imposed on Alberta reporting issuers.

If the equivalent to the U.S. Regulatory Changes are imposed on Canadian issuers, the cumulative effect of the provisions will be very significant. We are interested in your

views on the merit and/or appropriateness of imposing some or all of the U.S. Regulatory Changes on Alberta reporting issuers. In addition, we would be interested in hearing your views as to the impact, if any, these provisions may have on the ability to attract and retain qualified senior officers and directors and the anticipated incremental costs associated with compliance with these provisions.

As a participant in the Alberta capital markets your feedback is important and will form the basis of our contemplated actions regarding these matters. We ask that you please complete the enclosed survey and return it to us by e-mail to sox.survey@seccom.ab.ca by **October 4, 2002**.

We will also be holding focus groups on **Tuesday, October 1, 2002** and **Thursday, October 3, 2002** from **9:00 a.m. to 11:00 a.m.** at our office. If you wish to attend one of our focus groups kindly RSVP at your earliest convenience to sox.survey@seccom.ab.ca indicating which session you would like to attend.

Thank you for your assistance.

Yours very truly,

A handwritten signature in cursive script, appearing to read "Ryan Piblot", is positioned to the left of a vertical line that extends downwards.

SPS/pmj
attachments (2)

Comparison of Sarbanes-Oxley Act (SOX) Provisions/New York Stock Exchange (NYSE) Requirements and Alberta Requirements¹

<u>Reference</u>	<u>Abbreviation</u>
Sarbanes-Oxley Act of 2002	SOX
NYSE Corporate Governance Rule Proposals reflecting Recommendations from the NYSE Corporate Accountability and Listing Standards Committee As Approved by the NYSE Board of Directors August 1, 2002	NYSE
Business Corporations Act (Alberta)	ABCA
Canada Business Corporations Act	CBCA
Securities Act (Alberta)	ASA
Toronto Stock Exchange Company Manual	TSX Manual
Proposed amended TSX corporate governance disclosure guidelines	TSX AG

¹ The attached chart has been compiled for summary and comparison purposes only. It is not a complete statement of requirements. Readers must reference the source materials to determine the obligations of issuers, insiders, committees and advisors.

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
1. Enhance company disclosure	
<p><i>Real Time Disclosure</i> <i>(SOX s. 409)</i></p> <p>The SEC must adopt rules requiring that material changes in a company's financial condition or operations be reported on a rapid and current basis. SOX does not define “rapid and current”, but the SEC has a proposed a rule that would require current reports to be filed in 2 days.</p>	<p>Where a material change occurs in the affairs of a reporting issuer, s. 146 of the ASA requires a reporting issuer to “promptly” issue and file a news release with the Executive Director . In addition, the issuer must prepare and file a report within 10 days from the day on which the change occurs.</p> <p>Issuers listed on the Toronto Stock Exchange (TSX) and TSX Venture Exchange (TSX-V) are required to immediately disclose by press release any material information. Material information includes material changes and material facts.</p> <p>National Policy 51-201 <i>Disclosure Standards</i> provides guidance on potentially material information. Many of the items that the SEC is proposing to add to Form 8-K are described in NP 51-201 to be potentially material and would likely need to be reported as material changes under Alberta requirements.</p> <p>Proposed National Instrument 51-102 <i>Continuous Disclosure Obligations</i> (NI 51-102) is substantially similar to existing Alberta material change requirements.</p>
<p><i>Disclosure of off-balance sheet transactions, pro forma figures and auditor adjustments (SOX s. 401)</i></p> <p>By January 26, 2003, the SEC must adopt rules requiring disclosure of</p> <ol style="list-style-type: none"> 1. all material off-balance sheet transactions (i.e. unconsolidated limited purpose 	<p>Off-balance sheet transactions - This is not specifically regulated under the ASA or Canadian GAAP. However, it is an offence for a financial statement filed with the ASC to contain a misrepresentation. Failure to disclose material off-balance sheet transactions may constitute a misrepresentation.</p> <p>The CICA has provided some guidance about special purpose transactions in its guideline concerning transfers of receivables. The CICA has recently gone further proposing new guidelines dealing with consolidations of special purpose entities and disclosure of guarantees.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
<p>entities such as those used by Enron) and</p> <p>2. material auditor adjustments.</p> <p>Also by January 26, 2003, the SEC must adopt rules regarding the use of pro forma financial information (non-GAAP performance measures) in press releases and SEC filings requiring the pro forma financial information to</p> <p>1. not be misleading and</p> <p>2. be reconciled with the financial conditions and results of operation of the issuer under GAAP.</p>	<p>Proposed NI 51-102 would require issuers to disclose off-balance sheet arrangements and transactions with related parties in their MD&A. NI 51-102 could be effective in the fall of 2003.</p> <p>Material auditor adjustments - Canadian GAAP does not require any disclosure of auditor adjustments, but if an issuer wants an unqualified audit opinion its financial statements must reflect all material adjustments.</p> <p>Pro-forma information - It is an offence for pro forma information to contain a misrepresentation if it is in any document filed with the ASC, e.g. a press release announcing a material change, an annual information form or information circular. Pro forma financial information is not directly regulated except in the context of prospectuses filed under ASC Rule 41-501 <i>Use of Prospectus Complying with Ontario Securities Commission Requirements</i>.</p> <p>CSA Staff Notice 52-303 <i>Non-GAAP Earnings Measures</i> states that selective editing of financial information may be misleading if it results in the omission of material information. Regulatory action may be taken if issuers disclose information in a manner considered misleading and potentially harmful to the public interest. For issuers who publish non-GAAP earnings measures, are expected to reconcile those non-GAAP earnings measures with GAAP financial statements.</p>
<p><i>Disclosure of management's assessment of internal controls (SOX s. 404)</i></p> <p>The SEC must adopt rules requiring a reporting company to include a separate report in its annual report, which states management's (a)</p>	<p>Both the ABCA and CBCA impose a substantive obligation on directors and officers in managing the corporation to “exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances”. Arguably, this requirement imposes a substantive requirement on both directors and management to take the appropriate steps in establishing, maintaining and monitoring internal controls.</p> <p>While the requirements of these acts apply only to corporations incorporated under them, s. 8.2 of TSX-V Policy 3.1 <i>Directors, Officers and Corporate Governance</i> (TSX-V Policy 3.1)</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
<p>responsibility for establishing and maintaining an adequate internal control structure and procedures for financial reporting, and (b) assessment of the effectiveness of same for the most recent fiscal year. The company's auditors will have to attest to the effectiveness assessment.</p>	<p>imposes the same requirement on all TSX-V listed issuers.</p>
<p><i>Expanded SEC review of disclosure documents (SOX s. 408)</i></p> <p>Effective now, the SEC must review the continuous disclosure documents filed by reporting companies listed on a national securities exchange or automated facility of a national securities association on a regular and systematic basis - at a minimum once every three years for each company. In determining how often to review an issuer the SEC is to consider whether the issuer (1) has made a material restatement of financial results; (2) has had significant stock price volatility; (3) is one of the largest issuers by market capitalization; (4) is an emerging company with disparities in price earnings ratios; or (5) has operations that significantly affect any</p>	<p>The ASC's capital markets group carries out annual reviews of a varying number of reporting issuers (100 in 2002). The reporting issuers are generally selected randomly. Some are selected on a targeted basis (e.g. larger issuers are typically reviewed every 3-4 years, on occasion issuers are selected according to specific issues that arise).</p> <p>Note that SOX requires the SEC to review issuers listed on a national exchange or quotation system. We understand that the markets considered to be "national" are the senior U.S. markets, i.e. the NYSE, AMEX and the Nasdaq National Market. The term "national market" may refer to the Nasdaq Smallcap Market but may not include "junior markets" such as the Philadelphia Stock Exchange, the Pacific Stock Exchange or any over the counter market.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
material sector of the economy.	
2. Strengthen corporate governance	
<p><i>Audit committee Requirements</i></p> <p>By April 26, 2003, the SEC must require U.S. stock exchanges to prohibit the listing of securities of any issuer that does not have an audit committee that (a) is directly responsible for the appointment, compensation and oversight of auditors, (b) has procedures in place for receiving accounting complaints, (c) has the authority and funding to engage independent counsel and other outside advisers, and (d) is independent. (<i>SOX s s. 301,304</i>)</p> <p>All listed companies are required to have an audit committee and a formal audit committee charter which sets out the duties of the audit committee (which must meet certain minimum standards; NYSE minimum standards including assisting board oversight of the performance of the company's internal audit function and independent auditors). (<i>NYSE s. 7</i>)</p>	<p>Audit committee requirement - Distributing corporations incorporated under the CBCA and ABCA must have an audit committee of at least three directors, a majority of whom are not directors or officers of the corporation or its affiliates. Main requirement is that audit committee must review statements before submission to directors prior to the corporation's annual general meeting (s. 171 CBCA, s. 171 ABCA).</p> <p>TSX-V Policy 3.1 mirrors corporate law but extends the obligations to non-corporate entities. In addition, s. 4.2 of the TSX-V listing agreement (Form 2D) requires the issuer to use its best efforts to have its audit committee comply with CSA Notice 1 <i>Audit Committees</i> (CSA Notice 1)</p> <p>General requirements of audit committees - CSA Notice 1, recommends many practices that are similar to the SOX requirement. For example, CSA Notice 1 recommends that audit committees</p> <ul style="list-style-type: none"> • review management's recommendations for the appointment of an external auditor • review the terms of the external auditor's engagement, the appropriateness and reasonableness of the proposed audit fees and any unpaid fees • when there is a change of auditor, review all issues related to the changes, including the information to be included in the notice of change of auditor called for under National Policy 31 <i>Change of Auditor of a Reporting Issuer</i> (NP 31) and the planned steps for an orderly transition • review all reportable events, including disagreements, unresolved issues and consultations, as defined in NP 31, on a routine basis, whether or not there is a change of auditor • review any engagements for non-audit services to be provided by the external auditor's firm or its affiliates, together with estimated fees and consider the impact on

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
<i>and NYSE Company Manual s. 303.01)</i>	<p>the independence of the external auditor</p> <ul style="list-style-type: none"> • review the audit plan with the external auditor and with management • review with management and with the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting • question management and the external auditor regarding significant financial reporting issuers discussed during the fiscal period and the method of resolution • review any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with the management • review audited annual financial statements, in conjunction with the report of the external auditor, and obtain an explanation from management of all significant variances between comparative reporting periods • review the post-audit or management letter, containing the recommendations of the external audit, and management’s response and subsequent follow-up on any identified weaknesses • review interim unaudited financial statements before release to the public, • review all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report, the annual information form and management’s discussion and analysis • review the evaluation of internal controls by the external auditor, together with management’s response • review the terms of reference of the internal auditor • review the reports issued by the internal auditor and management’s response and subsequent follow-up to any identified weaknesses and • review the appointments of the chief financial officer and any key financial executives involved in the financial reporting process <p>Independence - Section 10.1 of TSX-V Policy 3.1 requires a majority of independent</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
	<p>members form the audit committee.</p> <p>Compensation - Section 162(4) of the ABCA contemplates that shareholders or the directors will fix compensation.</p> <p>TSX requirements - Section 474(13) of TSX AG require audit committees to</p> <ul style="list-style-type: none"> • be composed only of outside directors • have specifically defined roles and responsibilities • have direct communication channels with the internal and external auditors • have oversight responsibility for management reporting on internal control and • take responsibility to ensure that management has designed and implemented an effective system of internal control. <p>Section 473(14) of TSX AG states that the board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the company in appropriate circumstances.</p> <p>Section 473(13) of TSX AG states that the board of directors should adopt a charter for the audit committee which sets out the roles and responsibilities of the audit committee which should be specifically defined so as to provide guidance to the audit committee as to their duties.</p> <p>Financial information - NP 51-201 recommends best practice of audit committee review of earnings guidance and news releases containing financial information (not required by SOX).</p>
<p><i>Financial expertise on audit committees (SOX s. 407, NYSE Company Manual s. 303.01)</i></p> <p>By January 26, 2003, the SEC must adopt rules requiring an issuer to</p>	<p>Proposed NI 51-102 requires disclosure of audit committee membership and principal occupation. This may not always reveal expertise.</p> <p>Section 472(13) of TSX AG states that all members of the audit committee should be financially literate and at least one member should have accounting or related financial expertise.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
<p>disclose if its audit committee has at least one financial expert (and if not, why not). What constitutes a financial expert is to be defined by the SEC.</p>	
<p><i>Auditor reports to audit committee (SOX s. 204)</i></p> <p>Effective now, the auditor must report to the audit committee (a) all critical accounting policies and practices to be used (b) all alternative treatments under GAAP that have been discussed with management, as well as the impact of such treatments and preference of the auditor, and (c) any other written communications between the auditor and management.</p>	<p>The CICA provides guidance in Auditing Guideline 11 <i>Communications with Audit Committees</i>.</p>
<p><i>Whistle blower protections (SOX s. 806)</i></p> <p>Effective immediately, employees of public companies are protected from retaliatory discharge or other adverse employment action when they provide information to U.S. regulatory or law enforcement agencies, the U.S. Congress, or their supervisors about conduct that they reasonably believe violates U.S. securities or anti-fraud laws.</p>	<p>No similar requirement.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
<p><i>Corporate Governance Guidelines and Disclosure (NYSE s. 9)</i></p> <p>Required to adopt and disclose corporate governance guidelines (the NYSE commentary suggests that each company’s website include its corporate governance guidelines, charters of its most important committees and the company code of ethics).</p>	<p>TSX-V Policy 3.1 requires Tier 1 issuers to disclose their corporate governance practices and processes as they relate to the guidelines provided in the TSX Manual. These guidelines address each matter of concern expressed by the NYSE.</p> <p>Section 472 of TSX AG states that</p> <ul style="list-style-type: none"> • Every listed company shall make full and complete disclosure of its system of corporate governance on an annual basis in its annual report or information circular. • Such disclosure shall be made in accordance with s. 473, and where the company’s system differs from the guidelines, each difference and the reason for such difference must be clearly disclosed. • Every listed company which is not a corporation shall also make full and complete disclosure of its system of governance on an annual basis. • Every listed company shall also disclose, in general terms, the operation of its system of governance. <p>Under ASC Form 40 disclosure must be made with respect to executive compensation. Proposed NI 51-102’s Form 51-102F1 requires disclosure about each board committee.</p>
<p><i>Code of Business Conduct and Ethics (SOX s. 406, NYSE s. 10)</i></p> <p>Required to adopt and disclose a code of business conduct and ethics for directors, officers and employees. Matters to be addressed in the code are prescribed in the NYSE listing requirements.</p>	<p>Section 6.1 of TSX-V Policy 3.1 sets out procedures re: self-dealing and related party transactions for Tier 1 and 2 issuers. These procedures set out how conflicts of interest are to be dealt with including the consideration and approval of material agreements by disinterested directors and procedures to implement disclosure of such conflicts.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
3. Expand insider accountability	
<p><i>CEO and CFO to certify annual and quarterly reports and periodic financial reporting (SOX ss. 302, 906)</i></p> <p>Effective now, CEOs and CFOs must personally certify in each annual and quarterly report that, among other things, (a) they have reviewed the report, (b) the report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, (c) they are responsible for establishing and maintaining adequate internal controls and have designed the controls to ensure material information is available to them, (d) they have evaluated their effectiveness in the last 90 days, and an assessment of the effectiveness of the internal controls is contained in their report, and (e) they have reported significant deficiencies and material weaknesses and any fraud to the auditors and the audit committee. The company's outside auditors will be required to attest to</p>	<p>No certification requirement. However, annual financial statements must be approved by the board of directors and approval must be evidenced by signatures of 2 duly authorized directors or trustees pursuant to s. 160 of the Alberta Securities Commission Rules (the Rules).</p> <p>Under s. 194 of the ASA, it is an offence to make a misrepresentation in any material that is required to be filed or furnished under the Alberta securities laws. Under section 194(4) directors and officers can be personally liable if they “authorized, permitted or acquiesced” in making a misrepresentation. In addition, under sections 122(1)(b) of the ABCA and the CBCA the directors and senior officers have an obligation to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Arguably, the SOX certification describes the steps considered appropriate to evidence the exercise of such care, diligence and skill.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
<p>this assessment in accordance with professional auditing standards. CEOs and CFOs must also certify periodic reports containing financial statements filed with the SEC stating that the statements <u>fully</u> comply with the Exchange Act of 1934 and that the information fairly presents, in all material respects, the financial condition and results of operations.</p>	
<p><i>CEO Certification re: Listing (NYSE s. 12)</i></p> <p>The CEO is required to certify that he/she is not aware of any violation by the company of exchange listing standards.</p>	<p>No similar requirement.</p>
<p><i>Equity Compensation Plans (NYSE s. 8)</i></p> <p>The adoption of all equity compensation plans and any material modifications of such plans require shareholder approval, except inducement options, plans relating to mergers or acquisitions, and tax qualified and excess benefit plans.</p>	<p>Section 2.9 of TSX-V Policy 4.4 <i>Director, Officer and Employee Stock Options</i> (TSX-V Policy 4.4) states that all TSX-V issuers proposing to reserve stock options must have stock option plans which can be either 10% rolling plans or fixed numbered plans. Fixed numbered plans must receive shareholder approval at the time shares are reserved and for any amended number. Rolling plans must be approved by shareholders on a yearly basis at the annual general meeting.</p> <p>Section 2.10 of TSX-V Policy 4.4 states that disinterested shareholder approval is required in certain instances.</p> <p>Sections 629 and 630 of the TSX Manual state that only certain share compensation arrangements are subject to security holder approval.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
<p><i>Recapture of executive bonuses and trading profits (SOX s. 304)</i></p> <p>Effective now, if any company is required to restate its financial statements due to misconduct, the CEO and CFO must reimburse the company for (1) any bonus or other incentive-based or equity-based compensation received from the company during the 12-month period following the first public issuance or SEC filing (whichever is earlier) of the document that had to be restated, and (2) any profits realized from the sale of securities of the company during that 12-month period.</p>	<p>No similar requirement. It might be possible for a shareholder to bring an oppression action under section 242(2) of the ABCA arguing that the directors or senior officers compensation was “oppressive or unfairly prejudicial” in which case the court could make an order to rectify the matter and set aside or vary the compensation arrangement.</p> <p>With regard to trading profits, section 130(1) of the ABCA provides that insiders are liable to compensate anyone who suffers loss as a result of the insider trading on inside information. Furthermore the insider is accountable to the corporation for any direct benefit received or advantage as a result of the transaction. Section 207 of the ASA makes anyone in a special relationship with a reporting issuer liable to compensate a person who suffered damages if the person in the special relationship traded with knowledge of material undisclosed information.</p>
<p><i>Prohibition against loans to insiders (SOX s. 402)</i></p> <p>Effective now, public companies may not, directly or indirectly, extend or arrange for most types of personal loans to or for their directors or executive officers. Loans that were in place on July 30, 2002 are grandfathered, but may not be modified or renewed.</p>	<p>No similar requirement.</p> <p>TSX-V does not prohibit loans to insiders; however, pursuant to section 11.1 of TSX-V Policy 3.1 issuers are required to have a committee of independent directors or have disinterested directors review and approve any compensation or other material contracts to be entered into between any director or senior officer and the issuer or its associates or affiliates.</p>
<p><i>Accelerated insider reporting (SOX s.</i></p>	<p>Insider reports must be filed within 10 days of trade (s. 190 of the Rules). Under NI 55-102</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
<p>403)</p> <p>Effective now, insiders must file insider reports within two business days of a trade.</p>	<p><i>System for Electronic Disclosure by Insiders</i>, reports must be filed electronically on SEDI within 10 days of trade. Issuers are required to file insider profiles, profile supplements and issuer event reports but are not required to post trading information on their websites. SEDI is currently offline. Insider trades published on web site.</p> <p>CSA is developing a proposed national instrument relating to insider reporting for certain derivative transactions (equity monetizations).</p>
<p><i>Electronic insider reporting (SOX s. 403)</i></p> <p>By July 30, 2003, all insider reports will have to be filed electronically and the SEC must set up a separate website for such filings.</p>	<p>See above.</p>
<p><i>Code of Ethics for senior financial officers (s. 406)</i></p> <p>By January 26, 2003, the SEC must adopt rules requiring companies to disclose with their periodic reports whether or not (and if not, why not) the company has adopted a code of ethics for senior financial officers. Changes in or waivers of a code will have to be promptly disclosed.</p>	<p>No similar initial disclosure requirement.</p> <p>NP 51-201 provides that waivers of corporate ethics and conduct rules for officers, directors and other key employees are likely material information that should be disclosed.</p> <p>The ABCA and CBCA require that directors and officers act honestly and in good faith with a view to the best interests of the corporation. Those statutes also require that directors and officers declare their conflicts of interest to the board and that directors refrain from voting in regard to matters in which they have a material interest. TSX-V policies extend these requirement to all issuers listed on the exchange. TSX-V policies require the board to implement procedures to ensure proper public dissemination is made of the material interest of any officer or director in any agreement and require the disinterested directors to consider the proper scope and nature of the disclosure.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
	<p>TSX-V policies also require directors and senior officers to adopt and implement practices and procedures to</p> <ul style="list-style-type: none"> • ensure that material information is fully and properly announced in a timely fashion • educate directors, management, employees and consultants with respect to the legal and regulatory restrictions on trading on undisclosed material information and issues related to tipping • restrict, control and monitor access to material information until it is properly disseminated to the public and • require all insiders and persons in a special relationship who have or might reasonably have access to undisclosed material information to refrain from trading until material information has been disclosed. <p>Further the TSX-V not only prohibits directors and senior officers from publishing misrepresentations but states that they must not knowingly permit any employee or consultant to publish a misrepresentation. In addition, TSX-V requires that all persons retained to act on behalf of the issuer to provide investor relations services are aware of securities law and exchange requirements regarding unacceptable trading practices.</p> <p>Note that where senior financial officers have professional designations (e.g. chartered accountants) their conduct is governed by their professional association.</p>
4. Increase auditor oversight	
<p><i>Creating an independent auditor oversight board (SOX s. 101)</i></p> <p>A self-regulatory organization will be created to oversee the auditing industry. Public accounting firms must register with the new board or they</p>	<p>No similar requirement.</p> <p>CSA, OSFI and CICA have proposed Canadian Public Accountability Board (CPAB) with less power than US Public Company Accounting Oversight Board.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
will not be permitted to practice before the SEC. Non-U.S. public accounting firms who do audits of U.S. public companies must also register with the new board.	
5. Heighten auditor independence	
<p><i>Restricting non-audit services (SOX s. 201)</i></p> <p>Effective 180 days after the auditor oversight board starts operations, auditors will be prohibited from providing certain non-audit services to companies they audit.</p>	<p>Currently, CICA rules of professional conduct lack specific prohibitions on non-audit services provided to audit clients. The proposed Independence Standards of the CICA (s. 204) set out rules for ensuring auditor independence and disclosure of threats to auditor independence. These standards require auditors to be independent, such that the auditor is free of any influence, interest or relationship that, in respect of the engagement, impairs the professional judgment or objectivity of the auditor. These standards also provide an illustrative list of prohibited relationships and services that would pose a threat to auditor independence. Auditors are required to identify and disclose threats to independence and either apply safeguards to reduce the threat or eliminate the activity or relationship that created the threat.</p>
<p><i>Pre-approval of services by audit committee (SOX s. 202, NYSE s. 7)</i></p> <p>Any auditing or non-audit service provided by the independent auditor must be pre-approved by the audit committee</p>	<p>No similar requirement.</p>
<p><i>Requiring rotation of audit partner (s. 203)</i></p> <p>Effective once auditors are able to register with the auditor oversight</p>	<p>No similar requirement.</p> <p>The proposed CICA Independence Standards call for rotation of the lead engagement partner every 5 years.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
<p>board, the lead or co-ordinating audit partner for a company must rotate out of the audit assignment after five years.</p>	
<p><i>Limiting auditor conflicts of interest</i></p> <p>Effective now, an accounting firm may not perform an audit if the CEO, CFO, controller, chief accounting officer or similar officer of the company was employed by the firm and participated in the audit of the company during the prior year. <i>(SOX s. 206)</i></p> <p>Audit committee must establish hiring policies for employees or former employees of the auditor. <i>(NYSE s. 7)</i></p>	<p>No similar requirement.</p> <p>The proposed CICA Independence Standards (s. 204.4(32)) prohibit an audit firm, and certain related entities, from providing recruiting assistance to clients. Safeguards may be required where a partner or member of the accounting firm’s engagement team becomes a director or officer of the issuer or an employee of the issuer with influence over the engagement.</p>
<p><i>Prohibiting improper influence on conduct of audits (SOX s. 303)</i></p> <p>By January 26, 2003, the SEC must adopt rules making it unlawful for a director or officer to influence an auditor for the purpose of rendering financial statements materially misleading.</p>	<p>No similar specific requirement. However, if an issuer makes a misrepresentation, under section 194(4) of the ASA, every director or senior officer who authorized, permitted or acquiesced in the misrepresentation is liable for the misrepresentation. Arguably, this provision is broader than the proposed SOX provision. Under SOX there has to be an intention to mislead.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
6. Broaden sanctions for wrongdoing	
<p><i>Increased criminal penalties and new offences</i> <i>(SOX ss. 802, 807, 906, 1102, 1107)</i></p> <p>The legislation increases the penalties for a number of pre-existing crimes and creates a number of new criminal offences, including securities fraud, obstruction of justice by destroying documents to impede a federal investigation, and failure of corporate officers to properly certify corporate periodic reports. The penalties are up to US \$1 million and 10 years in prison for knowingly making a false certification and up to US \$5 million and 20 years in prison for wilfully making a false certification.</p>	<p>Section 194 of the ASA sets out circumstances when a person or company may be guilty of a quasi-criminal offence. These include misrepresentations in material submitted, filed or furnished to the ASC. Contraventions of the Alberta securities laws may also give rise to charges under the quasi-criminal offence provisions. Penalties are a fine up to but not more than \$1 million per offence and, in the case of individuals, a fine up to but not more than \$1 million per offence and/or 5 years less one day in prison.</p> <p>Securities Fraud – Under the Criminal Code (Canada) there are offences for basic fraud, using the mails to commit fraud, and fraudulently affecting the public market price of stock or anything offered for sale to the public.</p> <p>Obstruction of Justice by destroying documents to impede federal investigation – Under the Criminal Code everyone who willfully attempts in any manner to obstruct, pervert or defeat the course of justice is guilty of an indictable offence and could go to prison for up to 10 years.</p> <p>Under section 251 of the ABCA, liability is limited to \$5,000 and/or 6 months imprisonment.</p> <p>Apart from the general obstruction offences discussed above, there are no comparable Criminal Code offences to obstruction of justice by destroying corporate audit records or tampering with a record or otherwise impeding an official proceeding. There are also no comparable Criminal Code offences for record keeping requirement for auditors’ work papers, failure of corporate officers to properly certify periodic reports and retaliation against informants.</p>
<p><i>Freeze Order (SOX s. 1103)</i></p> <p>The SEC is permitted to obtain a freeze order in U.S. federal court over the assets of a public company where the SEC believes the company will</p>	<p>Section 47(1) of the ASA permits the Executive Director, in the context of an investigation order or if he reasonably believes that a cease trade, a suspension or cancellation of registration order will be issued or there is a contravention of securities laws, to make an order directing any person or company holding funds, securities or exchange contracts or other property to hold, refrain from withdrawing, or hold in trust for, a receiver, custodian or trustee, until further order.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
make extraordinary payments to directors, officers, or controlling persons during an investigation for possible U.S. securities law violations .	
7. Composition of Board	
<i>Independence (NYSE s. 1)</i> Issuers are required to have a majority of independent directors (have 24 months to comply).	Section 2.1(b) of TSX-V Policy 3.1 requires each issuer to have at least three directors. At least two of the directors must not be employees, control persons or members of management of the issuer or any of its associates or affiliates. Section 473(2) of TSX AG states that the board of directors of every corporation should be constituted with a majority of unrelated directors.
Provide guidance to determine independence. No director is independent unless the board of directors affirmatively determines that the director has no material relationship with the listed company. These determinations must be disclosed. A director cannot be independent in certain circumstances (e.g. former employee of issuer, have family members in specified categories) unless a five-year cooling-off period has elapsed. (<i>NYSE s. 2, NYSE Listed Company Manual s. 303.00</i>)	TSX-V policies do not contain a specific definition of independent director but rather a reference to directors who are neither employees, senior officers, control persons or management consultants of the issuer or its associates or affiliates. Section 472 of TGX AG defines four types of directors: inside directors, outside directors, related directors and unrelated directors.
“Controlled” companies (companies of which more than 50% of the voting	Section 2.1(b) of TSX-V Policy 3.1 requires each issuer to have an audit committee comprised of at least three directors, the majority of whom are not employees, control persons

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
power is held by an individual, group or another company, rather than the public) are required to have a minimum 3-person audit committee composed entirely of independent directors. <i>(NYSE s. 1)</i>	or members of management of the issuer or any of its associates or affiliates.
A member of the audit committee will not be independent if he or she receives payments from the company other than for board service. <i>(SOX s. 301(3), NYSE s. 6)</i>	No similar requirement.
Independent directors are required to meet regularly without management. <i>(NYSE s. 3)</i>	No similar requirement
8. Nominating and Corporate Governance Committees	
Required to have a nominating and corporate governance committee composed entirely of independent directors and with a written charter that addresses the committee's purpose, goals and responsibilities. <i>(NYSE s. 4)</i>	Section 473(4) of TSX AG states that every board should appoint a committee composed exclusively of outside directors, a majority of whom are unrelated, with the responsibility for proposing new nominees to the board and for assessing directors on an ongoing basis.
9. Compensation Committee	

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
<p>Required to have a compensation committee composed entirely of independent directors with a written charter that addresses the committee's purpose, goals and responsibilities. <i>(NYSE s. 5)</i></p>	<p>Section 11.1 of TSX-V Policy 3.1 provides that issuers are required to have a compensation committee with independent directors (not all required to be independent) or have compensation contracts reviewed by disinterested directors.</p> <p>ASC Form 40 <i>Statement on Executive Compensation</i> requires a report on executive compensation by the compensation committee or the board and mandates disclosure of relationships of the relevant directors that affect their independence. Such report must address compensation of executive officers, particularly the CEO.</p>
10. Foreign Issuers	
<p>Listed foreign private issuers are required to disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under exchange listing standards. <i>(NYSE s. 11)</i></p>	<p>No similar requirement.</p>
11. Education	
<p><i>Director/officer education (NYSE s. 9)</i></p> <p>Exchange should encourage all public companies to establish orientation programs for their new directors.</p> <p>Exchange should enhance existing support to continuing education</p>	<p>Section 473(6) of the TSX AG states that every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board.</p>

SOX Provisions/ NYSE Requirements	Requirements applicable to Alberta reporting issuers - Existing and Currently Proposed
<p>programs for corporate directors and officers at universities.</p>	
12. Other	
<p><i>Lawyers as gatekeepers</i> <i>(SOX ss. 307, 602)</i></p> <p>By January 26, 2003, the SEC must adopt rules regarding minimum standards for the conduct of attorneys practising before the SEC. The rules must require attorneys to report material violations of securities law or breaches of fiduciary duties to the chief legal officer or CEO of the company and, if neither responds appropriately, to the audit committee, another wholly independent committee or the full board of directors.</p> <p>The SEC has the power to order that a person may not practice before if that person is found to be unqualified, lacking in character or integrity, guilty of unethical behavior or professional misconduct, or have performed (or assisted in the performance of) securities legislation violations.</p>	<p>No similar requirements.</p> <p>Law Society of Alberta governs the conduct of its members.</p>

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<p><i>Analyst conflicts of interest (s. 501)</i></p> <p>By July 2003, the SEC or at its discretion a securities association or national securities exchange must adopt rules to address analyst conflict-of-interest.</p>	<p>No similar requirement.</p> <p>IDA published for comment proposed Policy No. 11 <i>Analyst Standards</i>.</p>

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