

A.S.C. POLICY 4.8 FINANCIAL FORECASTS

(Note: The term “financial forecast” used in this policy is defined in section 112 of the Regulations)

1. GENERAL

1.1_ Application:

In light of the increasing recognition of the relevance of future oriented data in the investment decision-making process, the Alberta Securities Commission (the “Commission”) has concluded that issuers’ future financial expectations should not be denied to investors. The Commission recognizes that the objective of financial forecasts is to provide users of forecasts with information that will enhance their ability to evaluate issuers’ financial prospects.

1.2 Key elements to the Commission’s policy on financial forecasts are as follows:

1.2.1 Financial forecasts may be included in the following documents used in conjunction with a distribution of securities.:

- 1.2.1.1 a prospectus,
- 1.2.1.2 an offering memorandum,
- 1.2.1.3 a take-over bid circular,
- 1.2.1.4 an issuer bid circular,
- 1.2.1.5 an information circular, or
- 1.2.1.6 an interim or annual report.

1.2.2 Issuers are not required to issue financial forecast; a decision to use a financial forecast is left with the issuer. If an issuer uses a forecast in a distribution of its securities pursuant to the documents referred to in item 1.2.1, then full disclosure of the forecast must be made in those documents.

1.2.3 Forecasts must be reviewed and commented upon by the issuer’s auditor. However, the Commission recognizes that in certain circumstances the Director of the Commission (the “Director”) has discretionary authority to waive or vary this requirement.

2. GUIDELINES

The following guidelines are provided for the benefit of issuers who wish to include forecasts in prospectuses and other documents filed with the Commission:

2.1 A forecast must be prepared in accordance with the CICA Accounting Guidelines and reviewed in accordance the CICA Auditing Guidelines.

- 2.2 If an issuer does not have a reasonable basis for issuing a financial forecast such as a history of operations or experience in budgeting, the issuer will be required to support the data in the financial forecast by other means such as a feasibility study.
- 2.3 A forecast must comply with the requirements of section 112 of the Regulations.
- 2.4 A forecast must be reviewed regularly to identify significant changes resulting from events that have occurred since the forecast was issued. During the forecast period, each financial report issued to security holders must contain either a statement that there are no significant changes to be made to the changes from the original forecast. The dates of the original forecast and the updated forecast must also be disclosed.
 - 2.4.1 If an unusual event occurs which has a significant effect on the most recently published forecast, the financial impact of which cannot be currently determined, the issuer should withdraw the forecast. Examples of such an event might be strike, a law suit, government action, legislation or a natural disaster. When a forecast is withdrawn the reasons for the withdrawal must be clearly stated.
- 2.5 A forecast, as initially disclosed, must be compared with audited actual results in the issuer's annual financial report and the reasons for significant differences, if any, must be disclosed. Forecasts issued for an interim period must be compared with actual results for that period in the subsequent interim report and reasons for significant difference, if any, must be disclosed.
- 2.6 A forecast included in a preliminary prospectus or other document referred to in item 1.2.1 must be signed or, if not signed, there must be filed with the preliminary prospectus or other document a letter addressed to the Commission and signed by the auditor in which he shall make such statement with respect to his review of the forecast as may be appropriate in the circumstances and acceptable to the Director.
- 2.7 In a take-over bid situation where it is not practicable to have the forecast reviewed by the auditor, the director will not object to the use of a forecast without the comments of the auditor, provided that the forecast is accompanied by a statement signed by the chief financial officer of the issuer stating that the forecast was prepared in accordance with the requirements of the CICA Accounting Guidelines.
- 2.8 If an issuer includes in a prospectus, offering memorandum, take-over bid or directors' circular, forecast data for an entity it is proposing to acquire, the forecast of that entity must have been prepared by that entity for inclusion in the documents of the issuer and disclosure of that fact must be made.
- 2.9 There may be occasions where the guidelines in this policy may not be appropriate to issuers of tax shelter securities in that very often meaningful future oriented information for these securities may involve different considerations, greater periods of time, and different financial data from those used in formulating this policy. Where these occasions arise, issuers should consider whether the use of financial

forecasts permitted in A.S.C. Policy 4.5 on Real Estate Programs is appropriate or, alternatively, should consult with the Deputy Director, Securities, prior to filing a preliminary prospectus or other document.

Effective date: March 15, 1987