PROPOSED AMENDMENTS TO PROPOSED POLICY STATEMENT 52-110 TO *REGULATION 52-110 RESPECTING AUDIT COMMITTEES*

1.1 Application to Non-Corporate Entities

Section 1.2 of Policy Statement 52-110 to *Regulation 52-110 respecting Audit Committees* is deleted and replaced by the following:

"1.2 Application to Non-Corporate Entities. The Regulation applies to both corporate and non-corporate entities. Where the Regulation or this Policy refers to a particular corporate characteristic, such as a board of directors, the reference should be read to also include any equivalent characteristic of a non-corporate entity. For example, in the case of a limited partnership, the directors of the general partner who are independent of the limited partnership (including the general partner) should form an audit committee which fulfils these responsibilities.

Income trust issuers should apply the Regulation in a manner which recognizes that certain functions of a corporate issuer, its board and its management may be performed by any or all of the trustees, the board or management of a subsidiary of the trust, or the board, management or employees of a management company. For this purpose, references to "the issuer" refer to both the trust and any underlying entities, including the operating entity.

If the structure of an issuer will not permit it to comply with the Regulation, the issuer should seek exemptive relief."

1.2 Meaning of Independence.

Part Three of the policy statement is amended by deleting Part Three and replacing it with the following:

"Part 3 Independence

3.1 Meaning of Independence

The Regulation generally requires every member of an audit committee to be independent. Subsection 1.4(1) of the Regulation defines independence to mean the absence of any direct or indirect material relationship between the director and the issuer. In our view, this may include a commercial, charitable, industrial, banking, consulting, legal, accounting or familial relationship, or any other relationship that the board considers to be material. Although shareholding alone may not interfere with the exercise of a director's independent judgement, we believe that other relationships between an issuer and a shareholder may constitute material relationships with the issuer, and should be considered by the board when determining a director's independence. However, only those relationships 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 should be considered material relationships within the meaning of section 1.4.

Subsection 1.4(3) and section 1.5 of the Regulation describe those individuals that we believe have a relationship with an issuer that would reasonably be expected to interfere with the exercise of the individual's independent judgement. Consequently, these individuals are not considered independent for the purposes of the Regulation and are therefore precluded from serving on the issuer's audit

committee. Directors and their counsel should therefore consider the nature of the relationships outlined in subsection 1.4(3) and section 1.5 as guidance in applying the general independence requirement set out in subsection 1.4(1).

3.2 Derivation of Definition

In the United States, listed issuers must comply with the audit committee requirements contained in SEC rules as well as the director independence and audit committee requirements of the applicable securities exchange or market. The definition of independence included in the Regulation has therefore been derived from both the applicable SEC rules and the corporate governance rules issued by the New York Stock Exchange. The portion of the definition of independence that parallels the NYSE rules is found in section 1.4 of the Regulation. Section 1.5 of the Regulation contains additional rules regarding audit committee member independence that were derived from the applicable SEC rules. To be independent for the purposes of the Regulation, a director must satisfy the requirements in both sections 1.4 and 1.5.

3.3 Safe Harbour

Subsection 1.3(1) of the Regulation provides, in part, that a person or company is an affiliated entity of another entity if the person or company controls the other entity. Subsection 1.3(4), however, provides that an individual will not be considered to control an issuer if the individual:

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

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

Subsection 1.3(4) is intended only to identify those individuals who are not considered to control an issuer. The provision is not intended to suggest that an individual who owns more than ten percent of an issuer's voting equity securities automatically controls an issuer. Instead, an individual who owns more than ten percent of an issuer's voting equity securities should examine all relevant facts and circumstances to determine if he or she controls the issuer and is therefore an affiliated entity within the meaning of subsection 1.3(1).”

1.3 Replacement of "person" with "individual”

Subsection 4.2(2) of the policy statement is amended by deleting the word "persons" and substituting the word "individuals", by deleting the words “A person” and substituting the words “An individual”, and by deleting the word “person” and substituting the word “individual”.