



Certificate of Amendment

Certificat de modification

**Canada Business
Corporations Act**

**Loi régissant les sociétés
par actions de régime fédéral**

**GROUPE TRANSCONTINENTAL G.T.C. LTEE
G.T.C. TRANSCONTINENTAL GROUP LTD.**

028293-6

Name of Corporation - Dénomination de la société

Number - Numéro

I hereby certify that the
Articles of the above-mentioned
Corporation were amended

Je certifie par les présentes que
les statuts de la société
mentionnée ci-haut ont été modifiés

(a) under Section 13 of the
Canada Business Corporations
Act in accordance with the
attached notice;

(a) en vertu de l'article 13 de la
Loi régissant les sociétés par
actions de régime fédéral
conformément à l'avis ci-joint;

(b) under Section 27 of the
Canada Business Corporations
Act as set out in the attached
Articles of Amendment
designating a series of shares;

(b) en vertu de l'article 27 de la
Loi régissant les sociétés par actions
de régime fédéral tel qu'indiqué dans
les clauses modificatrices ci-jointes
désignant une série d'actions;

(c) under Section 177 of the
Canada Business Corporations
Act as set out in the attached
Articles of Amendment;

(c) en vertu de l'article 177 de la
Loi régissant les sociétés par actions
de régime fédéral tel qu'indiqué dans
les clauses modificatrices ci-jointes;

(d) under Section 191 of the
Canada Business Corporations
Act as set out in the attached
Articles of Reorganization;

(d) en vertu de l'article 191 de la
Loi régissant les sociétés par actions
de régime fédéral tel qu'indiqué
dans les clauses de réorganisation
ci-jointes;

(e) under Section 192 of the
Canada Business Corporations
Act as set out in the attached
Articles of Arrangement.

(e) en vertu de l'article 192 de la
Loi régissant les sociétés par actions
de régime fédéral tel qu'indiqué dans
les clauses d'arrangement ci-jointes.

Le directeur

Director

August 15, 1990/le 15 août 1990

Date of Amendment - Date de la modification



Consumer and Corporate Affairs Canada

Consommation et Corporations Canada

Canada Business Corporations Act

Loi sur les sociétés commerciales canadiennes

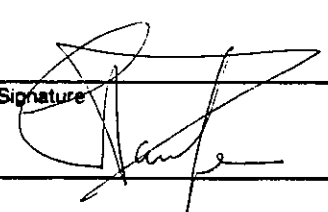
FORM 4
ARTICLES OF AMENDMENT
(SECTION 27 OR 171)

FORMULE 4
CLAUSES MODIFICATRICES
(ARTICLE 27 OU 171)

Name of Corporation — Dénomination de la société G.T.C. TRANSCONTINENTAL GROUP LTD. GROUPE TRANSCONTINENTAL G.T.C. LTEE	2 - Corporation No — N° de la société 028293-6
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3 - Articles of the above-named corporation are amended as follows: Les statuts de la société ci-haut mentionnée sont modifiés de la façon suivante:

The provisions of the authorized capital of the corporation contained in Schedule 1 referred to in item 3 of the Restated Articles of Incorporation, dated October 7, 1988, are hereby amended by the creation of 19 Cumulative Redeemable Convertible Auction Perpetual First Preferred Shares, Series A carrying the rights, privileges, restrictions and conditions set out in Schedule 1 annexed hereto to form part hereof, so that the authorized share capital of the corporation shall hereafter consist of an unlimited number of First Preferred Shares without nominal or par value, issuable in one or more series, of which 19 Cumulative Redeemable Convertible Auction Perpetual First Preferred Shares, Series A without nominal or par value constitute the first series, of an unlimited number of Second Preferred Shares without nominal or par value, issuable in one or more series, of an unlimited number of Class A Subordinate Voting Shares, without nominal or par value, and of an unlimited number of Class B shares, without nominal or par value.

Date August 14, 1990	Signature 	Description of Office — Description du poste Vice-President, Finance and Treasurer
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FOR DEPARTMENTAL USE ONLY — À L'USAGE DU MINISTÈRE SEULEMENT
 Filed — Déposée AUG 15 1990
 AOUT

SCHEDULE 1

CUMULATIVE REDEEMABLE CONVERTIBLE AUCTION
PERPETUAL FIRST PREFERRED SHARES, SERIES A

In addition to the special rights, privileges, restrictions and conditions attaching to the First Preferred Shares as a class, the Cumulative Redeemable Convertible Auction Perpetual First Preferred Shares, Series A (the "Series A Preferred Shares") shall have attached thereto the following further rights, privileges, restrictions and conditions:

I. PART I

1. Interpretation and Application

(a) Interpretation. For the purposes hereof, including Parts II, III, IV, V and VI hereof, the following expressions have the following meanings:

"Accepted Dealer Offer" shall have the meaning specified in section IV.1.(c) hereof;

"Act" shall mean the Canada Business Corporations Act as now enacted or from time to time amended, varied or replaced;

"Applicable Percentage" shall mean the percentage of the Bankers' Acceptance Rate determined

under section II.1.(b), (c) or (d), as applicable, and utilized to calculate the dividend to be paid in respect of a Dividend Period under section II.1.(g);

"Auction" shall mean the periodic operation of the Auction Procedures;

"Auction Date" shall mean the second Thursday of each calendar month of each Auction Dividend Period included within an Auction Term or, if such Thursday is not a Business Day, the next preceding Business Day;

"Auction Dividend Payment Date" shall mean, in respect of each Auction Dividend Period, the second Business Day following the end of the Auction Dividend Period;

"Auction Dividend Period" shall mean, with respect to the first Auction Dividend Period of any Auction Term, the period from and including the immediately preceding Dividend Payment Date to and including the first Auction Date and, with respect to any subsequent Auction Dividend Period of such Auction Term, shall mean the period from but excluding each Auction Date to and including the next succeeding Auction Date; for greater certainty, the first Auction Dividend Period of an Auction Term shall commence:

- (i) on the day immediately following the last day of the Initial Five Year Term; or
- (ii) on the day immediately following the last day of each Corporation Determined Term and each Dealer Determined Term;

unless, as the case may be, the provisions of Parts III or IV hereof shall have been implemented prior to such day so as to result in a Corporation Determined Term or Dealer Determined Term commencing on such day;

"Auction Manager" shall mean the trust corporation duly appointed from time to time by the Corporation as Auction Manager in respect of the Series A Preferred Shares pursuant to the Auction Manager Agreement;

"Auction Manager Agreement" shall mean an agreement made between the Auction Manager and the Corporation which provides, among other things, that the Auction Manager will follow the Auction Procedures for the purposes of determining the Current Dividend Rate for the Series A Preferred Shares;

"Auction Procedures" shall mean the procedures set forth in Part V hereof for determining the applicable dividend rate for the Series A Preferred Shares from time to time during an Auction Term;

"Auction Term" shall mean any term of not less than two consecutive Auction Dividend Periods with respect to which the Auction Procedures apply commencing on the first day of the first of such Auction Dividend Periods and terminating on the last day of any subsequent Auction Dividend Period which immediately precedes the beginning of a Corporation Determined Term or a Dealer Determined Term, as the case may be;

"Available Shares" shall have the meaning specified in paragraph (i) of section V.3 (a) hereof;

"Average Daily Prime Rate" shall mean, for any day, the arithmetic average, rounded to the nearest one-hundredth of one percent (0.01%), of the Daily Prime Rates of the Banks on such day; provided that if on such day there shall be no Daily Prime Rate for one or more of the Banks, the Average Daily Prime Rate for such day shall be the average of the Daily Prime Rates of the other Bank or Banks as the case may be; and further provided that if on such day there shall be no Daily Prime Rate for any of the Banks, the Average Daily Prime Rate for such day shall be 1.5% above the average yield per annum on 91-day Government of Canada Treasury Bills as reported by the Bank of Canada for the most recent weekly tender preceding such day;

"Average Prime Rate" shall mean, for any period consisting of more than one day, the arithmetic

average, rounded to the nearest one-hundredth of one percent (0.01%), of the Average Daily Prime Rate for each day during such period;

"Bankers' Acceptance Rate", for any day, shall mean the average bid rate for one-month Canadian dollar bankers' acceptances which appears on the Reuters Screen as of 10:00 a.m., Montreal time, on that day; provided that if such rate does not appear on the Reuters Screen, the rate on that day shall be determined on the basis of the average quoted bid rates of the Banks for one-month Canadian dollars bankers' acceptances for settlement on that day quoted by the Banks as of 10:00 a.m., Montreal time, on that day;

"Banks" shall mean Canadian Imperial Bank of Commerce, The Royal Bank of Canada, The Toronto-Dominion Bank, Bank of Montreal, The Bank of Nova Scotia and National Bank of Canada and the term "Bank" shall mean one of the Banks and, for the purposes of this definition, "Banks" shall include any bank with which one or more of such Banks may merge and any bank which may become a successor to the business of one of such Banks;

"Bid" and "Bids" shall have the respective meanings specified in section V.1.(a) hereof;

"Bidder" and "Bidders" shall have the respective meanings specified in section V.1(a) hereof;

"Business Day" shall mean a day on which the Banks are open for business in Montreal and which is not a Saturday or a Sunday and, for the purposes of Parts IV, V and VI, a day on which The Montreal Exchange or any successor stock exchange is open for business;

"Class A Subordinate Voting Shares" means the Class A Subordinate Voting Shares in the capital of the Corporation as constituted on the date of issue of the Series A Preferred Shares or as subsequently consolidated, subdivided, reclassified or otherwise changed, or any shares or other securities that holders of such shares are entitled to receive as a result of any reorganization of the capital of the Corporation;

"Class B Shares" means the Class B Shares in the capital of the Corporation as constituted on the date of issue of the Series A Preferred Shares or as subsequently consolidated, subdivided, reclassified or otherwise changed, or any shares and other securities that holders of such shares are entitled to receive as a result of any reorganization of the capital of the Corporation;

"Close of Business" means the normal closing hour of the principal office of the Transfer Agent and Registrar in Montreal;

"Consolidated Debt" means the aggregate amount of Debts of the Corporation and its Designated

Subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting principles;

"Consolidated Net Income" for any period means the net income of the Corporation and its Designated Subsidiaries for such period, exclusive of extraordinary items and any equity interest in the undistributed income for such period of corporations which are not Designated Subsidiaries, determined on a consolidated basis, all in accordance with generally accepted accounting principles.

"Consolidated Operating Cash Flow" for any period means Consolidated Net Income of the Corporation and its Designated Subsidiaries for such period adding back Financial Expense, depreciation, amortization and taxes.

Consolidated Shareholders' Equity" means the shareholders' equity appearing on a consolidated balance sheet of the Corporation and its Designated Subsidiaries determined in accordance with generally accepted accounting principles.

"Conversion Ratio" shall have the meaning specified in section VI.1. hereof;

"Corporation Determined Dividend Rate" shall mean the annual dividend rate specified by the Corporation in its notice pursuant to section III.1

hereof, which annual dividend rate shall be one of:

- (i) the Corporation Determined Percentage of the Average Prime Rate determined for the Dividend Payment Date immediately following the Dividend Period for which such determination is being made based on the Average Prime Rate for the period consisting of the three calendar months ending on the last day of the calendar month prior to the calendar month during which the Dividend Period for which such determination is being made ends;
- (ii) the Corporation Determined Percentage of the Bankers' Acceptance Rate determined on the first Business Day of each calendar month or part thereof falling within the Dividend Period for which such determination is being made; or
- (iii) a fixed annual percentage rate;

"Corporation Determined Percentage" shall mean a percentage of the Average Prime Rate or of the Bankers' Acceptance Rate to be selected by the Corporation and set forth in the notice referred to in section III.1. hereof;

"Corporation Determined Term" shall mean a term selected by the Corporation consisting of one or

more consecutive Dividend Periods, the first day of which shall be either:

- (i) a Dividend Payment Date, or
- (ii) in the case of a Corporation Determined Term which immediately follows an Auction Term, the day immediately following the last day of the Auction Term,

and the last day of which shall, subject to section II.1 (f), be the last day of the last Dividend Period selected by the Corporation, to which the provisions of Part III hereof shall apply for the purpose of determining the dividend to be paid on each Dividend Payment Date relating to each Dividend Period within such term, provided that such term and the dividend rate applicable thereto have been accepted by the holders of Series A Preferred Shares in accordance with section III.2. hereof;

"Current Dividend Rate" shall be the rate per annum which is determined in accordance with section V.3(b) hereof on an Auction Date for the next succeeding Auction Dividend Period;

"Current Market Value of the Class A Subordinate Voting Shares" at any date means the weighted average price (expressed in Canadian dollars) at which the Class A Subordinate Voting Shares have traded on The Montreal Exchange during the 20

Trading Days (on each of which at least 100 Class A Subordinate Voting Shares were traded in at least one board lot) immediately preceding the second Trading Day before such date (or if the Class A Subordinate Voting Shares are not then listed on The Montreal Exchange, on such stock exchange on which such shares are listed as may be selected for such purpose by the Directors acting in good faith);

"Current Market Value of the Class B Shares" at any date means the weighted average price (expressed in Canadian dollars) at which the Class B Shares have traded on The Montreal Exchange during the 20 Trading Days (on each of which at least 100 Class B Shares were traded in at least one board lot) immediately preceding the second Trading Day before such date (or if the Class B Shares are not then listed on The Montreal Exchange, on such stock exchange on which such shares are listed as may be selected for such purpose by the Directors acting in good faith) and, if the Class B Shares are not then listed on any stock exchange, in the over-the-counter market; provided that if the Class B Shares are not so listed or traded, the "Current Market Value of the Class B Shares" shall be the fair market value of the Class B Shares as determined by the auditors of the Corporation (or, if such auditors are unable or unwilling to act, by a national firm of chartered accountants selected by the Directors), and approved by the Directors acting in good faith (and

the result of any such determination shall be communicated by the Corporation to each holder of Series A Preferred Shares as soon as practicable after such determination is made in each case);

"Daily Prime Rate" shall mean, for any Bank, on any day, the annual prime commercial lending rate of interest established and announced as the reference rate of interest used by such Bank to determine the rates of interest such Bank will charge on Canadian dollar loans to customers in Canada and designated by such Bank as its prime rate in effect on such day;

"Date of Conversion" shall have the meaning specified in section VI.3. hereof;

"Dealer" shall mean any registered investment dealer or other person, in either case, permitted by law:

- (i) for the purposes of Part IV, to perform the functions required of a Dealer in Part IV, or
- (ii) for the purposes of Part V, to perform the functions required of a Dealer in Part V and who has entered into a Dealer Agreement with the Auction Manager that remains effective;

"Dealer Agreement" shall mean an agreement between the Auction Manager and a Dealer pursuant

to which the Dealer agrees to participate in Auctions in compliance with the Auction Procedures;

"Dealer Determined Dividend Rate" shall mean the annual dividend rate specified by the Dealer in the Accepted Dealer Offer referred to in section IV.1.(c) hereof which shall be one of:

- (i) the Dealer Determined Percentage of the Average Prime Rate determined for the Dividend Payment Date immediately following the Dividend Period for which such determination is being made based on the Average Prime Rate for the period consisting of the three calendar months ending on the last day of the calendar month prior to the calendar month during which the Dividend Period for which such determination is being made ends;
- (ii) the Dealer Determined Percentage of the Bankers' Acceptance Rate determined on the first Business Day of each calendar month or part thereof falling within the Dividend Period for which such determination is being made; or
- (iii) a fixed annual percentage rate;

"Dealer Determined Percentage" shall mean a percentage of the Average Prime Rate or the

Bankers' Acceptance Rate to be selected by each Dealer and to be set forth in each Dealer Offer in accordance with section IV.1.(b) hereof;

"Dealer Determined Term" shall mean a term selected by a Dealer consisting of one or more consecutive Dividend Periods, the first day of which shall be either:

- (i) a Dividend Payment Date, or
- (ii) in the case of a Dealer Determined Term which immediately follows an Auction Term, the day immediately following the last day of the Auction Term,

and the last day of which shall, subject to section II.1 (f), be the last day of the last Dividend Period selected by such Dealer, to which the provisions of Part IV hereof shall apply for the purpose of determining the dividend to be paid on each Dividend Payment Date relating to each Dividend Period within such term;

"Dealer Offer" shall mean a written irrevocable and unconditional offer to the holders of the Series A Preferred Shares from a Dealer in response to a Notice Requesting Bids to purchase all (or such lesser number as may be tendered for purchase) of the Series A Preferred Shares outstanding on the last day of the Initial Five Year Term or the current Corporation Determined Term or Dealer

Determined Term or on the Settlement Date immediately following the end of the current Auction Dividend Period, as the case may be, at a purchase price per Series A Preferred Share equal to \$1,000,000 and containing the information specified in section IV.1.(b) hereof and subject to the Corporation's rights under section IV.2. hereof;

"Dealer Response Date" shall have the meaning ascribed thereto in section IV.1.(a) hereof;

"Debt" means all indebtedness of the Corporation and its Designated Subsidiaries for money borrowed whether or not evidenced by any note, bond, debenture or instrument and any or all financial assistance of the Corporation or its Designated Subsidiaries excluding accounts payable; notwithstanding the generality of the foregoing, it includes the Series A Debentures and the Series B Debentures, Purchase Money Obligations, corporate guarantees and capital leases excluding accounts payable, deferred subscriptions and deferred taxes, if any;

"Designated Purchase Date" shall have the meaning specified in section VI.4. hereof;

"Designated Purchaser Notice" shall have the meaning specified in section VI.4. hereof;

"Designated Subsidiary" means: (i) all Subsidiaries (and subsidiaries of Subsidiaries) of the

Corporation as at April 30, 1990 and (ii) all such Subsidiaries of the Corporation as may be designated by resolution of the board of directors of the Corporation;

"Directors" means the board of directors of the Corporation or an authorized committee thereof;

"Dividend Payment Date" shall mean the fifteenth day of each of the months of January, April, July and October in each year commencing and including January 15, 1991;

"Dividend Period" shall mean the period from and including the date of first issue of the Series A Preferred Shares to but excluding the first Dividend Payment Date and, thereafter, the period from and including each Dividend Payment Date to but excluding the next succeeding Dividend Payment Date except for what would otherwise be the first Dividend Period following an Auction Term in which case "Dividend Period" shall mean the period from and including the day immediately following the end of the Auction Term to but excluding the next succeeding Dividend Payment Date which falls at least one calendar month after the said day;

"Existing Holder" shall mean a holder of Series A Preferred Shares:

- (i) who has executed a Purchaser's Letter,
- (ii) who has delivered or caused to be delivered such Purchaser's Letter to the Auction Manager and to any Dealer to which such Existing Holder submits information pursuant to section V.1.(a) hereof, and
- (iii) who is registered in the ledger maintained by the Auction Manager in respect of holders of Series A Preferred Shares;

"Financial Expense" means, for any period, financial expense paid on Debt, including the interest portion of capital and operating lease payments, if any, arrived at on a consolidated basis;

"Financial Reports" means quarterly financial statements and the annual financial statements of the Corporation, on a consolidated basis, both of which shall include the information necessary to calculate the conditions set forth in sections II.1 (f) (i) (A) and (B);

"hereof" and similar expressions mean or refer to all of these provisions relating to the Series A Preferred Shares and not to any particular section, paragraph or portion hereof;

"Hold Order" and "Hold Orders" shall have the respective meanings specified in section V.1.(a) hereof;

"Initial Five Year Term" shall mean the period from and including the date of first issue of the Series A Preferred Shares to but excluding August 15, 1995, subject to section II.1 (f);

"Maximum Rate" with respect to any Auction Dividend Period shall mean the Bankers' Acceptance Rate determined on the Auction Date immediately preceding the beginning of such Auction Dividend Period plus four tenths of one percent (0.4%);

"Minimum Conversion Price" shall have the meaning specified in section VI.1. hereof;

"Notice of Conversion" shall have the meaning specified in section VI.3. hereof;

"Notice of Redemption" shall have the meaning specified in section II.4.(b) hereof;

"Notice Requesting Bids" shall mean a notice from the Corporation to one or more Dealers requesting them to submit Dealer Offers as provided for in section IV.1.(a) hereof;

"Notification to Holders" shall mean the notification from the Corporation to holders of Series A Preferred Shares of the acceptance of a

Dealer Offer as provided for in section IV.1.(d) hereof;

"Order" and "Orders" shall have the respective meanings specified in section V.1.(a) hereof;

"Potential Holder" shall mean any person, including any Existing Holder:

- (i) who has executed a Purchaser's Letter;
- (ii) who has delivered or caused to be delivered such Purchaser's Letter to the Auction Manager and to any Dealer to which such Potential Holder submits information pursuant to section V.1.(a) hereof, and
- (iii) who submits an Order to acquire Series A Preferred Shares in an Auction;

"Purchase Money Obligations" means any indebtedness of the Corporation, whether or not secured, or a Designated Subsidiary assumed or incurred to provide funds to pay all or part of the purchase price of moveable or immoveable property, including fixed improvements installed or constructed on immoveable property within 6 months of the acquisition of such immoveable property, provided that if, (i) in the case of machinery or equipment, including costs of construction, such indebtedness exceeds 90% of the purchase price

thereof or, (ii) in the case of other moveable or immoveable property, including fixed improvements installed or constructed on immoveable property within 6 months of the acquisition of such immoveable property, such indebtedness exceeds 75% of the purchase price thereof, only a portion of such indebtedness equal to 90% or 75% of the purchase price, as the case may be, shall be considered to be a Purchase Money Obligation;

"Purchaser's Letter" shall mean a letter addressed to the Auction Manager and to one or more Dealers in which a person agrees, among other things, to be bound by the Auction Procedures in the event such person participates in an Auction;

"ranking as to capital" means ranking with respect to the distribution of assets (other than in respect of accrued dividends) in the event of a liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs;

"Redemption Date" shall have the meaning specified in paragraph (iv) of section II.3.(b) hereof;

"Redemption Price" shall have the meaning specified in section II.3.(a) hereof;

"Remaining Shares" shall have the meaning specified in paragraph (iv) of section V.4.(a) hereof;

"Reuters Screen" shall mean the display designated as page "CDOR" on the reuter monitor Money Rates Service (or such other page as may replace the CDOR page on that service) for the purpose of displaying, among other things, Canadian dollar bankers' acceptance rates;

"Sell Order" and "Sell Orders" shall have the respective meanings specified in section V.1.(a) hereof;

"Series A Debentures" or "Series A Debenture" means all or any of the 12.10% unsecured Senior Debentures, Series A of the Corporation dated February 28, 1990 and maturing February 28, 1995, authenticated and delivered pursuant to the Trust Indenture between the Corporation and Montreal Trust Company bearing formal date of February 28, 1990;

"Series B Debentures" or "Series B Debenture" means all or any of the 12.20% unsecured Senior Sinking Fund Debentures, Series B of the Corporation dated February 28, 1990 and maturing February 28, 2000 authenticated and delivered pursuant to the Trust Indenture between the Corporation and Montreal Trust Company bearing formal date of February 28, 1990;

"Settlement Date" shall mean the first Business Day following an Auction Date;

"Submission Deadline" shall mean 11:00 a.m., Montreal time, on any Auction Date or such later time on any Auction Date, as specified by the Auction Manager from time to time, by which Dealers are required to submit orders to the Auction Manager;

"Submitted Bid" and "Submitted Bids" shall have the respective meanings specified in section V.3.(a) hereof;

"Submitted Hold Order" and "Submitted Hold Orders" shall have the respective meanings specified in section V.3.(a) hereof;

"Submitted Order" and "Submitted Orders" shall have the respective meanings specified in section V.3.(a) hereof;

"Submitted Sell Order" and "Submitted Sell Orders" shall have the respective meanings specified in section V.3.(a) hereof;

"Subsidiary" means any Corporation of which there is owned by the Corporation either directly and/or through one or more Subsidiaries, Voting Shares which, in the aggregate, entitle the holders thereof to cast more than 50% of the votes which may be cast by the holders of all outstanding

Voting Shares of such corporation for the election of its directors.

"Sufficient Clearing Bids" shall have the meaning specified in section V.3.(a) hereof;

"Trading Day" means a day on which the relevant stock exchange (or over-the-counter market) referred to in the definition herein of "Current Market Value of the Class A Subordinate Voting Shares" is open for business;

"Transfer Agent and Registrar" means the person or persons from time to time appointed by the Directors as the transfer agent and registrar in Canada for the Series A Preferred Shares, or, failing any such appointment, means the Corporation; and

"Voting Shares" means shares of capital of any class or classes of a corporation having under all circumstances or under some circumstances that have occurred and are continuing the right to elect members of the board of directors of such corporation, and includes securities currently convertible into such shares and currently exercisable rights to acquire such shares or convertible securities, provided that, for the purposes hereof, shares which only carry the right to vote conditionally on the happening of an event which has not yet occurred shall not be considered Voting Shares nor shall any shares be deemed to cease to be Voting

Shares solely by reason of a right to vote accruing to shares of another class or classes by reason of the happening of such event.

"Winning Bid Rate" shall mean the dividend rate per annum determined in accordance with section V.3.(a) hereof.

- (b) **Business Days.** In the event that any date on which any dividend on the Series A Preferred Shares is payable is not a Business Day, then such dividend shall be payable on or by the next succeeding day that is a Business Day. In the event that any date on or by which any other action is required to be taken or any determination is required to be made hereunder or in connection herewith is not a Business Day (otherwise than by reason of an unscheduled closing of The Montreal Exchange), then, unless otherwise expressly provided herein, such other action shall be required to be taken or such determination shall be required to be made on or by the immediately preceding day that is a Business Day. If the day on which such other action is required to be taken or such determination is required to be made is not a Business Day by reason of an unscheduled closing of The Montreal Exchange, such other action shall be required to be taken or such determination shall be required to be made on or by the next succeeding day that is a Business Day.

- (c) **Loss of Cheque.** In the event of the non-receipt of a cheque by a holder of Series A Preferred Shares entitled to such cheque, or the loss or destruction thereof, the Corporation, upon being furnished with reasonable evidence of such non-receipt, loss or destruction, and an indemnity reasonably satisfactory to the Corporation, shall issue to such holder a replacement cheque for the amount of such cheque.
- (d) **Timing of Implementation of Corporation Determined Rate Procedures.** The provisions of Part III hereof with respect to the fixing of a Corporation Determined Dividend Rate for a Corporation Determined Term may be initiated by the Corporation:
- (i) no earlier than 60 days and no later than 45 days prior to the end of the Initial Five Year Term,
 - (ii) from time to time during any Corporation Determined Term, Dealer Determined Term or Auction Dividend Period (other than during the first Auction Dividend Period within an Auction Term), as the case may be, provided that in such circumstances such provisions are initiated no earlier than 60 days and no later than 45 days prior to the end of the current Corporation Determined Term or Dealer Determined Term or are initiated no earlier than 25 days and no later than 20

days prior to the end of the current Auction Dividend Period, as the case may be, and

(iii) no earlier than 25 days and no later than 20 days prior to the day on which the Initial Five Year Term, the current Corporation Determined Term or Dealer Determined Term, as the case may be, shall terminate pursuant to the provisions of section II.1 (f).

(e) **Timing of Implementation of Dealer Bids Procedures.** The provision of Part IV hereof with respect to the solicitation of Dealer Offers for the purpose of fixing a Dealer Determined Dividend Rate for a Dealer Determined Term may be initiated by the Corporation:

(i) no earlier than 30 days and no later than 25 days prior to the end of the Initial Five Year Term,

(ii) from time to time during any Corporation Determined Term, Dealer Determined Term or Auction Dividend Period (other than during the first Auction Dividend Period within an Auction Term), as the case may be, provided that in such circumstances such provisions are initiated no earlier than 30 days and no later than 25 days prior to the end of the current Corporation Determined Term or Dealer Determined Term or are initiated no earlier than 13 days and no later than 10

days prior to the expiry of the current Auction Dividend Period, as the case may be, and

- (iii) no earlier than 13 days and no later than 10 days prior to the day on which the Initial Five Year Term, the current Corporation Determined Term or The Dealer Determined Term, as the case may be, shall terminate pursuant to the provisions of section II.1 (f).

(f) **Timing of Implementation of Auction Procedures.**
The provisions of Part V hereof shall apply:

- (i) following the end of the Initial Five Year Term,
- (ii) following the end of any Corporation Determined Term, Dealer Determined Term or Auction Dividend Period, as the case may be, unless at any such time a Corporation Determined Dividend Rate is in effect in accordance with the provisions of Part III hereof or a Dealer Determined Dividend Rate is in effect in accordance with the provisions of Part IV hereof, and
- (iii) following the termination of the Initial five Year Term or of any Corporation Determined Term or Dealer Determined Term, as the case may be, pursuant to the provisions of

section II.1 (f) unless at any such time a new Corporation Determined Dividend Rate is in effect in accordance with the provisions of Part III hereof or a new Dealer Determined Dividend Rate is in effect in accordance with the provisions of Part IV hereof.

(g) Meaning of "accrued and unpaid dividends". For the purposes hereof, "accrued and unpaid dividends" means the aggregate of:

- (i) all unpaid dividends on the Series A Preferred Shares in respect of any Dividend Payment Date for any completed Dividend Period and in respect of any Auction Dividend Payment Date for any completed Auction Dividend Period; and
- (ii) the amount calculated as though dividends on each Series A Preferred Share had been accruing on a day-to-day basis in a manner consistent with section II.1. hereof from and including the day immediately following the last day of the most recently completed Dividend Period or Auction Dividend Period, as the case may be, to but excluding the date on which the computation of accrued dividends is to be made; provided that, for the purpose of calculating accrued and unpaid dividends payable on (x) the Redemption Date in the event a Notice of Redemption has been given in accordance with section II.3.(b), (y) the purchase date in

the case of any purchase of Series A Preferred Shares made under section II.4. or (z) the relevant date for the purposes of section II.6., the Average Prime Rate, if applicable to the calculation of the Corporation Determined Dividend Rate for a Corporation Determined Term or to the calculation of the Dealer Determined Dividend Rate for a Dealer Determined Term, shall be determined:

- (A) where such Redemption Date, purchase date (as specified in the applicable invitation for tenders) or relevant date, as the case may be, occurs otherwise than in the period ("Last Month End Period") from and including the sixteenth day of the last calendar month of a Dividend Period, up to and including the day following the end of such Dividend Period, based on the period of 90 days ending on a day not more than 15 days prior to the Redemption Date, the purchase date (as set out in the applicable invitation for tenders) or the relevant date for the purposes of section II.6., as the case may be; and
- (B) where such Redemption Date, purchase date (as set out in the applicable

invitation for tenders) or relevant date, as the case may be, occurs on any day within the Last Month End Period, based on the period consisting of the three calendar months ending on the last day of the previous calendar month.

- (h) **Meaning of "held by"**. For the purposes of Part V hereof, where any Series A Preferred Shares are registered in the name of the Auction Manager on behalf of an Existing Holder, a reference to such Series A Preferred Shares being "held by" an Existing Holder shall be deemed to include such shares so registered and beneficially owned by such Existing Holder.
- (i) **Headings**. The index and the headings of the various sections and other portions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

2. Notices

- (a) **Notice by Corporation**. Except as herein otherwise provided, any notice or other communication from the Corporation to any holder provided for herein shall be in writing and shall be sufficiently given if:

- (i) delivered to the address of such holder appearing on the securities register of the Corporation or, in the event of the address of such holder not so appearing, then at the last address of such holder known to the Corporation; or
- (ii) (if such holder has given notice to the Corporation specifying for the purposes of communications to such holder, a telecopy number or some other means of electronic communications in permanent form) sent by telecopy to such number or sent by the other specified means of electronic communications; provided that the Corporation has the facilities to use such other means of electronic communications so specified; or
- (iii) (if the holder has not so provided a telecopy number or so specified some other means of electronic communications or, in the case where some other means of electronic communications is specified and the Corporation does not have the facilities required to use such means or, in the case of information circulars, notices of meeting, forms of proxies, financial statements and other like information documents) sent by ordinary unregistered first class prepaid mail to such holder of Series A Preferred Shares at its address

appearing on the securities register of the Corporation or, in the event of the address of such holder not so appearing, then at the last address of such holder known to the Corporation.

If a holder specifies in the registration instructions for its Series A Preferred Shares, an individual identified by name or title as the person to whose attention such notices or communications are to be delivered, all such notices or communications shall be so addressed. In default of any person being so named, such notices and communications shall be addressed to the attention of the Chief Financial Officer of such holder. Accidental failure to give any notices or other communications to one or more holders of Series A Preferred Shares shall not affect the validity of the notices or other communications properly given or any action, including the redemption of all or any part of the Series A Preferred Shares, taken pursuant to such properly given notices or other communications but, upon such failure being discovered, the notice or other communication, as the case may be, shall be sent forthwith to such holder or holders and shall have the same force and effect as if given in due time.

- (b) Notice by Holder. Unless otherwise specifically provided herein, any notice or other communication from any holder of Series A Preferred Shares

provided for herein shall be in writing and shall be sufficiently given if:

- (i) delivered; or
- (ii) sent by telecopier or other electronic means of communication in permanent form so long as the Corporation has telecopy facilities or facilities for such other means of electronic communications; or
- (iii) if the Corporation does not have such telecopier or other facilities, sent by ordinary unregistered first class prepaid mail to the Corporation

addressed, in each case, to the attention of the Chief Financial Officer of the Corporation at its principal place of business, being at the date of the amendment of the Memorandum and Articles to create the Series A Preferred Shares, the following address:

G.T.C. Transcontinental Group Ltd.
375 Lebeau Boulevard
St. Laurent (Québec)
H4N 1S2

provided that if the principal place of business of the Corporation shall change, the Corporation shall give notice of such change to the then holders of Series A Preferred Shares in accordance with sec-

tion I.2.(a) hereof. Notice given to the Corporation pursuant to any provision hereof shall be deemed to be given on the date of actual receipt thereof by the Corporation.

(c) **Mail Disruption.** If the Corporation determines that mail service is or is threatened to be interrupted at the time when the Corporation is required or elects to give any notice hereunder, or is required to send any cheque or any share certificate to the holder of any Series A Preferred Shares, whether in connection with the redemption of such shares or otherwise, the Corporation may notwithstanding the provisions hereof:

(i) give such notice by means of publication once in each of two successive weeks in newspapers of general circulation published or distributed in Montreal and Toronto; and

(ii) fulfill the requirement to send such cheque or such share certificate by arranging for the delivery thereof to such holder by the transfer agent for the Series A Preferred Shares at its principal office in Montreal, and such cheque and/or certificate shall be deemed to have been sent on the date on which notice of such arrangement shall have been given as provided in paragraph (i) above, provided that as soon as the Corporation determines that mail service is no longer interrupted or threatened to be

interrupted such cheque or share certificate, if not theretofore delivered to such holder, shall be sent by mail as herein provided.

- (c) **Receipt of Notice by the Corporation.** Notice duly given by the Corporation by mail shall be deemed to be given on the day upon which it is mailed unless on the day of such mailing an actual disruption of mail services has occurred in the province in or to which such notice is mailed. Notice duly given by the Corporation by publication shall be deemed to be given on the day on which the first publication is completed in each city in which notice is required to be published and notice duly given by the Corporation by telecopier or other electronic means of communication shall be deemed to be given on the day on which it is sent (or if such day is not a Business Day, on the next following Business Day).

3. Amendment

The rights, privileges, restrictions and conditions attaching to the Series A Preferred Shares may be repealed, altered, modified, amended or varied in whole or in part only with the prior approval of the holders of the Series A Preferred Shares given in the manner provided in section I.4 in addition to any other approval required by the Act.

4. Approval of Holders of the Series A Preferred Shares

Any approval of the holders of the Series A Preferred Shares with respect to any matters requiring the consent of the holders of the Series A Preferred Shares may be given in such manner as may then be required by law, subject to a minimum requirement that such approval be given by resolution signed by all the holders of outstanding Series A Preferred Shares or passed by the affirmative vote of a least 66 2/3% of the votes cast by the holders of the Series A Preferred Shares who voted in respect of that resolution at a meeting of the holders of the Series A Preferred Shares duly called for that purpose and at which a quorum as required by the Articles of the Corporation is present. The proxy rules applicable to, the formalities to be observed in respect of the giving of notice of, and the formalities to be observed in respect of the conduct of, any meeting or any adjourned meeting of holders of Series A Preferred Shares shall be those from time to time prescribed by the Articles of the Corporation with respect to meetings of shareholders or, if not so prescribed, as required by law. On every poll taken at every meeting of holders of Series A Preferred Shares, each holder of Series A Preferred Shares entitled to vote thereat shall have one vote in respect of each Series A Preferred Share held.

5. Tax Election

The Corporation shall elect, in the manner and within the time provided under section 191.2 of the Income Tax Act (Canada) or any successor or replacement provision of similar

effect, to pay tax at a rate such that, and shall take all other necessary action under such Act such that no holder of Series A Preferred Shares shall be required to pay tax on dividends received on the Series A Preferred Shares under section 187.2 of Part IV.1. of such Act or any successor or replacement provision of similar effect.

II. PART II

1. Dividends

- (a) **Entitlement to Dividends.** For each Dividend Period falling within the Initial Five Year Term, a Corporation Determined Term or a Dealer Determined Term, the holders of Series A Shares shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors of the Corporation, out of the monies of the Corporation properly applicable to the payment of dividends, cumulative preferential cash dividends payable with respect to each such Dividend Period on the Dividend Payment Date immediately following the end of such Dividend Period. The first such dividend shall be paid on January 15, 1991. For each Auction Dividend Period falling within an Auction Term, the holder of Series A Preferred Shares shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the board of directors of the Corporation, out of the monies of the Corporation

properly applicable to the payment of dividends, cumulative preferential cash dividends payable with respect to each such Auction Dividend Period on the Auction Dividend Payment Date immediately following the end of such Auction Dividend Period.

(b) **Initial Five Year Term.** Subject to section II.1 (f), the dividend to be paid on each Series A Preferred Share for each Dividend Period during the Initial Five Year Term shall be the amount determined in accordance with section II.1.(g) and the Applicable Percentage for such purpose shall be 75%, subject to a minimum dividend rate of 7.5% per annum compounded monthly.

(c) **Corporation Determined Term.** Subject to section II.1 (f), for each Dividend Period falling within a Corporation Determined Term, the dividend to be paid on each Series A Preferred Share on the Dividend Payment Date immediately following the end of such Dividend Period shall be determined as follows:

(i) where the Corporation Determined Dividend Rate for such Dividend Period is not based upon the Bankers' Acceptance Rate, such dividend shall be the amount which is the product of (A) \$1,000,000, (B) the Corporation Determined Dividend Rate for such Dividend Period and (C) the number of days in such Dividend Period divided by 365 (or, if there shall be a February 29th in such Divi-

dend Period or in any of the three immediately preceding Dividend Periods, 366); and

- (ii) where the Corporation Determined Dividend Rate for such Dividend Period is based upon the Bankers' Acceptance Rate, such dividend shall be the amount determined in accordance with section II.1.(g) and the Applicable Percentage for such purpose shall be the then applicable Corporation Determined Percentage.

Notwithstanding the foregoing, should a Corporation Determined Term be in effect at any time prior to but excluding August 15, 1995, the Corporation Determined Dividend Rate for any Dividend Period terminating before August 15, 1995 included in such Corporation Determined Term may not be less than 7.5% compounded monthly.

- (d) Dealer Determined Term. Subject to section II.1 (f), for each Dividend Period falling within a Dealer Determined Term, the dividend to be paid on each Series A Preferred Share on the Dividend Payment Date immediately following the end of such Dividend Period shall be determined as follows:

- (i) where the Dealer Determined Dividend Rate for such Dividend Period is not based upon the Bankers' Acceptance Rate, such dividend shall be the amount which is the product of (A) \$1,000,000 (B) the Dealer Determined Dividend Rate for such Dividend Period and

(C) the number of days in such Dividend Period divided by 365 (or, if there shall be a February 29th in such Dividend Period or in any of the three immediately preceding Dividend Periods, 366); and

- (ii) where the Dealer Determined Dividend Rate for such Dividend Period is based upon the Bankers' Acceptance Rate, such dividend shall be the amount determined in accordance with section II.1.(g) and the Applicable Percentage for such purpose shall be the then applicable Dealer Determined Percentage.

Notwithstanding the foregoing, should a Dealer Determined Term be in effect at any time prior to but excluding August 15, 1995, the Dealer Determined Dividend Rate for any Dividend Period terminating before August 15, 1995 included in such Dealer Determined Term may not be less than 7.5% compounded monthly.

- (e) **Auction Term.** For each Auction Dividend Period falling within an Auction Term, the dividend to be paid on each Series A Preferred Share on the Auction Dividend Payment Date immediately following the end of such Auction Dividend Period shall be determined as follows:

- (i) on the Auction Dividend Payment Date immediately following the end of the first Auction Dividend Period during any Auction Term, the dividend to be paid on each Series A Preferred Share shall be the amount which

is the product of (A) \$1,000,000, (B) 75% of the Bankers' Acceptance Rate determined as of the first Business Day of such Auction Dividend Period and (C) the number of days in the first Auction Dividend Period divided by 365; and

- (ii) on the Auction Dividend Payment Date immediately following the end of each of the second and subsequent Auction Dividend Periods during any Auction Term, the dividend to be paid on each Series A Preferred Share shall be the amount which is the product of (A) \$1,000,000, (B) the Current Dividend Rate for such Auction Dividend Period as determined on the Auction Date immediately prior to the beginning of such Auction Dividend Period and (C) the number of days in such Auction Dividend Period divided by 365.

Notwithstanding the foregoing, should an Auction Term be in effect at any time prior to but excluding August 15, 1995:

- (a) the rate provided in Section II.1 (e)(i)(B) in respect of the first Auction Dividend Period of such Auction Term shall be the higher of 75% of the Bankers' Acceptance Rate determined as of the first Business Day of such Auction Dividend Period and 7.5% per annum compounded monthly;

(b) the Current Dividend Rate for any subsequent Auction Dividend Period terminating before August 15, 1990 included in such Auction Term may not be less than 7.5% compounded monthly.

(f) **Financial Covenants and Dividend Re-Determination.** Notwithstanding any provisions to the contrary herein contained, in the event that:

(i) the Financial Reports to be delivered by the Corporation to the holders of the Series A Preferred Shares pursuant to section II.7 disclose that, as at the end of the quarter covered by the Financial Reports, either or both of the following conditions has occurred:

(A) the Consolidated Debt of the Corporation exceeded one and a half times the Consolidated Shareholders' Equity of the Corporation, and/or

(B) the Consolidated Debt of the Corporation exceeded five times the Consolidated Operating Cash Flow of the preceding twelve month period,

(ii) the Corporation fails to pay a dividend on the Series A Preferred Shares on a Dividend Payment Date or, as the case may be, on an Auction Dividend Payment Date,

(iii) on every anniversary of the occurrence of the first to occur of any of the conditions enumerated in (i) and (ii) above if:

(A) the re-determination of the dividend rate as a result of the occurrence of one of these conditions resulted in an adjustment to the dividend rate that was in effect prior to such re-determination, and

(B) the dividend rate has not been thereafter re-determined in accordance with the provisions of Part III, Part IV or Part V hereof,

the Initial Five Year Term, any Corporation Determined Term or any Dealer Determined Term then in effect shall terminate on the next Dividend Payment Date and a new Corporation Determined Dividend Rate, Dealer Determined Dividend Rate or Current Dividend Rate, as the case may be, shall be determined for a new Corporation Determined Term, Dealer Determined Term or Auction Term, as the case may be, pursuant to the provisions of Part III, Part IV or Part V hereof respectively.

(g) Determination of Dividend based upon the Bankers' Acceptance Rate. The dividend to be paid on each Series A Preferred Share for, subject to section II.1 (f), each Dividend Period falling within the Initial Five Year Term or a Corporation Determined Term or a Dealer Determined Term where the calculation of such dividend is to be based upon the Bankers' Acceptance Rate shall be an amount equal to the aggregate of such

of the following portions of such dividend (referred to as P1, P2, P3 and P4 below), as may be applicable, each of which is determined as follows:

- (i) P1 is the portion of the dividend, expressed in dollars, that is earned in respect of the first calendar month (the "First Month") or part thereof falling within the relevant Dividend Period and is determined as follows:

$$P1 = AP \times BA1 \times \frac{N1}{365} \times \$1,000,000$$

- where:
- (A) AP is the Applicable Percentage;
 - (B) BA1 is the Bankers' Acceptance Rate applicable on the first Business Day of the First Month; and
 - (C) N1 is the number of days in the First Month falling within the relevant Dividend Period;

- (ii) P2 is the portion of the dividend, expressed in dollars, that is earned in respect of the calendar month (the "Second Month") or part thereof, if any, which follows the First Month and falls wholly within the relevant Dividend Period, including a compounding factor for the amount represented by P1 in respect of

the Second Month, and is determined as follows:

$$P2=AP \times BA2 \times \frac{N2}{365} \times (\$1,000,000 + P1)$$

where: (A) AP is the Applicable Percentage;

(B) BA2 is the Bankers' Acceptance Rate applicable on the first Business Day of the Second Month; and

(C) N2 is the number of days in the Second Month falling within the relevant Dividend Period;

(iii) P3 is the portion of the dividend, expressed in dollars, that is earned in respect of the calendar month (the "Third Month") or part thereof, if any, which follows the Second Month and falls wholly within the relevant Dividend Period, including a compounding factor for the aggregate of the amounts represented by P1 and P2 in respect of the Third Month, and is determined as follows:

$$P3=AP \times BA3 \times \frac{N3}{365} \times (\$1,000,000 + P1 + P2)$$

where: (A) AP is the Applicable Percentage;

(B) BA3 is the Bankers' Acceptance Rate applicable on the first Business Day of the Third Month; and

(C) N3 is the number of days in the Third Month falling within the relevant Dividend Period; and

(iv) P4 is the portion of the dividend, expressed in dollars, that is earned in respect of the calendar month (the "Fourth Month") or part thereof, if any, which follows the Third Month and falls wholly within the relevant Dividend Period, including a compounding factor for the aggregate of the amounts represented by P1, P2 and P3 in respect of the Fourth Month, and is determined as follows:

$$P4 = AP \times BA4 \times \frac{N4}{365} \times (\$1,000,000 + P1 + P2 + P3)$$

where (A) AP is the Applicable Percentage;

(B) BA4 is the Bankers' Acceptance Rate applicable on the first Business Day of the Fourth Month; and

(C) N4 is the number of days in the Fourth Month falling within the Relevant Dividend Period.

- (h) **Record Date and Payment of Dividends.** Dividends (less any tax or other amounts required to be deducted or withheld by the Corporation) on the Series A Preferred Shares shall be paid to the holders of record thereof determined at the Close of Business on the sixth Business Day immediately preceding the relevant Dividend Payment Date or Auction Dividend Payment Date (as applicable) by cheque payable on the Dividend Payment Date or Auction Dividend Payment Date (as applicable) in lawful money of Canada at par at any branch in Canada of the Corporation's bankers for the time being or, in respect of any particular holder, by any other means agreed upon between the Corporation and such holder provided that such other means provides for payment on the Dividend Payment Date or the Auction Dividend Payment Date (as applicable). Notwithstanding anything herein otherwise provided, no holder of Series A Preferred Shares shall be entitled to receive any dividends in respect of Series A Preferred Shares held by him that were redeemed after a record date for the payment of dividends but on or before a Dividend Payment Date or Auction Dividend Payment Date; provided the Redemption Price was paid therefor. The mailing of such cheque on or before the relevant Dividend Payment Date or Auction Dividend Payment Date (as applicable) by ordinary unregistered first class prepaid mail addressed to a holder of Series A Preferred Shares at his address as it appears in the securities register of the Corporation for the Series A Preferred Shares or, in the event of the address of any such holder not so appearing, then at the last address of such

standing, such dividends, or the unpaid part thereof, shall be paid on any one or more subsequent Dividend Payment Dates or Auction Dividend Payment Dates determined by the board of directors of the Corporation on which the Corporation shall have sufficient monies properly applicable to the payment of such dividends, provided that any payment of dividends shall first be applied to the payment of the dividends in arrears, if any, and the balance, if any, to the payment of the current payable dividends. The holders of Series A Preferred Shares shall not be entitled to any dividends other than or in excess of the cumulative preferential cash dividends herein provided for.

3. Redemption

- (a) Optional Redemption. Subject to applicable law and the Articles of the Corporation, the Corporation may, upon giving notice as hereinafter provided, redeem at any time the whole or, subject as hereinafter provided, from time to time any part of the then outstanding Series A Preferred Shares, on payment for each share to be redeemed of \$1,000,000 together with all accrued and unpaid dividends thereon, to but excluding the date fixed for redemption less, in the event that such Series A Preferred Share so to be redeemed is transferred after a record date for the payment of any dividend declared thereon and prior to the Redemption Date on which such share is to be redeemed, the amount of any dividends thereon required to be paid to the holder of record thereof on such record date (the whole constituting and being herein referred to as the "Redemption Price").

(b) Notice.

- (i) The Corporation may, after a Notice of Conversion shall have been given by the holder of Series A Preferred Shares in respect of any Series A Preferred Shares held by him, give notice in writing to the holder of such shares of the intention of the Corporation to redeem on the Business Day next preceding the Date of Conversion, subject to paragraph (v) of this section II.3(b), all or any part of such shares, provided such notice of intention to redeem is given at least twenty-three (23) Business Days prior to the Date of Conversion specified in the Notice of Conversion.
- (ii) The Corporation may on the Business Day following a Designated Purchase Date, give notice in writing to the holder of any Series A Preferred Shares that were to be purchased on such Designated Purchase Date and that were not so purchased by reason of a default by a purchaser named in the applicable Designated Purchaser Notice, of the intention of the Corporation to redeem on the date that such notice of intention to

redeem is given, all or any part of such Series A Preferred Shares not so purchased on such Designated Purchase Date.

(iii) In any case of redemption of Series A Preferred Shares other than as specified in paragraphs (i) and (ii) of this section II.3(b), the Corporation shall, not less than 30 days before the date specified for redemption if a Corporation Determined Term or Dealer Determined Term is in effect and not less than 10 days before the date fixed for redemption if an Auction Term is in effect, give notice in writing to each person who at the date of the giving of such notice is a registered holder of Series A Preferred Shares of the intention of the Corporation to redeem Series A Preferred Shares on the Settlement Date or the Business Day immediately preceding the Dividend Payment Date, in either case, next following the giving of such notice.

(iv) Any notice given by the Corporation of its intention to redeem all or any Series A Preferred Shares (a "Notice of Redemption") shall set out the date (the "Redemption Date") on which the redemption is to take place, the Redemption Price, the number of Series A Preferred Shares so held which are (subject, where applicable, to paragraph (v) of this section II.3(b)) to be redeemed, and the place or places within Canada at which holders of Series A Preferred Shares may

present and surrender such shares for redemption.

- (v) Where the Corporation gives a Notice of Redemption under paragraph (i) of this section II.3(b), the Corporation may, prior to the Redemption Date, give a Designated Purchaser Notice or Designated Purchaser Notices pursuant to section VI.4, in respect of all or part of the shares otherwise required to be redeemed and where the Corporation gives any such Designated Purchaser Notice, the number of shares that are the subject matter of the Designated Purchaser Notice shall be deducted from the number of Series A Preferred Shares required to be redeemed pursuant to such Notice of Redemption and such Notice of Redemption shall be deemed to be amended accordingly.

- (c) Partial Redemption. In case a part only of the Series A Preferred Shares is at any time to be redeemed in accordance with the provisions of this section II.3 (other than in respect of any shares to be redeemed pursuant to a Notice of Redemption given pursuant to paragraph II.3(b)(i) or (ii) hereof), the shares so to be redeemed shall, at the option of the Corporation, be:
 - (i) selected by lot, or
 - (ii) redeemed as nearly as may be pro rata (disregarding fractions) from each of the holders of Series A Preferred Shares.

If a part only of the Series A Preferred Shares represented by any certificate shall be redeemed, a new certificate representing the balance of such shares shall be issued to the holder thereof at the expense of the Corporation upon presentation and surrender of the first-mentioned certificate.

- (d) **Method of Redemption.** On and after the Redemption Date, the Corporation shall pay or cause to be paid to or to the order of the registered holders of the Series A Preferred Shares called for redemption, the Redemption Price of such shares less any tax or other amounts required to be withheld by the Corporation upon presentation and surrender, at the registered office of the Corporation or at such other place or places within Canada specified in such Notice of Redemption, of the certificate or certificates representing the Series A Preferred Shares called for redemption. Payment in respect of Series A Preferred Shares being redeemed shall be made by cheque payable to the holders thereof in lawful money of Canada at par at any branch in Canada of the Corporation's bankers for the time being or, in respect of any particular holder, by any other means agreed upon between the Corporation and such holder, and any such payment shall be a full and complete discharge of the Corporation's obligation to pay the Redemption Price owed to the holders of Series A Preferred Shares so called for redemption to the extent of the amount of such payment unless the cheque is not honoured when presented for payment or payment by such other reasonable means is not received. From and after the Redemption Date, the Series A Preferred Shares

called for redemption shall cease to be entitled to dividends or any other participation in the assets of the Corporation and the holders thereof shall not be entitled to exercise any of their other rights as shareholders in respect thereof, other than the right to receive the Redemption Price, unless payment of such Redemption Price shall not be made upon presentation and surrender of the certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Corporation shall have the right at any time after giving notice of its intention to redeem any Series A Preferred Shares to deposit an amount equal to the aggregate Redemption Price of the Series A Preferred Shares so-called for redemption, or of such of the Series A Preferred Shares which are represented by certificates which have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption less any tax or other amount required to be withheld by the Corporation into a special account in any chartered bank or any trust company in Canada named in such notice or in a subsequent notice to the holders of the Series A Preferred Shares in respect of which the deposit is made, to be paid without interest to or to the order of the respective holders of the Series A Preferred Shares called for redemption upon presentation and surrender to such bank or trust company of the certificates representing such shares. Upon such deposit being made or upon the Redemption Date, whichever is the later, the Series A Preferred A Preferred Shares in respect of which such deposit

shall have been made shall be deemed to be redeemed and the rights of the holders thereof shall be limited to receiving, without interest, their proportionate part of the amount so deposited upon presentation and surrender of the certificate or certificates representing their Series A Preferred Shares being redeemed. Any interest allowed on any such deposit shall belong to the Corporation. Subject to applicable law, redemption monies that are represented by a cheque which has not been presented to the Corporation's bankers for payment or that otherwise remain unclaimed (including monies held on deposit in a special account as provided for above) for a period of six years from the date specified for redemption shall be forfeited to the Corporation.

4. Purchase for Cancellation

Subject to applicable law and the Articles of the Corporation, the Corporation may at any time or from time to time purchase for cancellation all or any part of the outstanding Series A Preferred Shares:

- (i) by tender to all the holders of record of Series A Preferred Shares then outstanding, or
- (ii) through the facilities of any stock exchange on which the Series A Preferred Shares are listed,

in either case, at any price per share not exceeding \$1,000,000 per share together with an amount equal to all accrued and unpaid dividends thereon up to but excluding the date of purchase, and the costs of purchase. If in response

to an invitation for tenders under the provisions of this section II.4., more Series A Preferred Shares are tendered at a price or prices acceptable to the Corporation than the Corporation is prepared to purchase, then the Series A Preferred Shares to be purchased by the Corporation shall be purchased as nearly as may be pro rata according to the number of shares tendered by each holder who submits a tender to the Corporation, provided that when shares are tendered at different prices, the pro rating shall be effected (disregarding fractions) only with respect to the shares tendered at the price at which more shares were tendered than the Corporation is prepared to purchase after the Corporation has purchased all the shares tendered at lower prices. If part only of the Series A Preferred Shares represented by any certificate shall be purchased, a new certificate for the balance of such shares shall be issued at the expense of the Corporation.

5. Restrictions on Dividends and Retirement of Shares

So long as any of the Series A Preferred Shares are outstanding, the Corporation shall not, without the approval of the holders of the Series A Preferred Shares given in accordance with section I.4. hereof:

- (i) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the First Preferred Shares as a class) on any shares of the Corporation ranking as to capital or dividends junior to the First Preferred Shares as a class; or

(ii) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the First Preferred Shares as a class, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of shares of the Corporation ranking as to capital or dividends junior to the First Preferred Shares as a class; or

(iii) except pursuant to any purchase obligation, sinking fund, retraction privilege, mandatory redemption provision attaching thereto or statutory purchase obligation, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital or dividends on a parity with the Series A Preferred Shares;

unless at the date of such declaration, payment, setting apart for payment, redemption, call for redemption, purchase or reduction or return of capital, as the case may be, all accrued and unpaid dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable, shall have been declared and paid or set apart for payment on the Series A Preferred Shares. For the purposes hereof and for greater certainty, it is hereby declared and acknowledged that the Second Preferred Shares, the Class A Subordinate Voting Shares and the Class B Shares rank as to capital and dividends junior to both the Series A Preferred Shares and the First Preferred Shares as a class and that the shares of each other series of First Preferred Shares outstanding from time to time rank as to capital and dividends on a parity with the Series A Preferred Shares.

6. Liquidation, Dissolution or Winding-Up

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Series A Preferred Shares shall be entitled to receive from the assets of the Corporation an amount per share equal to \$1,000,000 plus all accrued and unpaid dividends thereon to but excluding the date of payment, before any amount shall be paid to, or assets of the Corporation distributed amongst, the holders of any other shares of the Corporation ranking as to capital or dividends junior to the Series A Preferred Shares. After payment to the holders of the Series A Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the assets of the Corporation.

7. Information

The holders of Series A Preferred Shares shall be entitled to receive and the Corporation shall send to such holders all financial statements and other information sent by the Corporation to the holders of its Class B Shares from time to time at or about the same time as such financial statements and other information is sent to the holders of the Corporation's Class B Shares.

Moreover, the Corporation shall provide the holders of Series A Preferred Shares with the Financial Reports sixty days following the end of each quarter and within one hundred and twenty days following the end of the fiscal year. The Corporation shall also certify to the holders of Series A Preferred Shares, within one hundred and twenty days follow-

ing the end of each fiscal year, that the Corporation has met the conditions set forth in sections II.1 (f) (i) (A) and (B) as at the end of each fiscal quarter of the previous fiscal year.

8. Voting Rights

Subject to applicable law, the holders of the Series A Preferred Shares shall not be entitled to receive notice of or to attend or to vote at any meetings of shareholders of the Corporation.

III. PART III

CORPORATION DETERMINED RATE PROCEDURES

1. Determination of New Dividend Rate

The Corporation may notify the holders of Series A Preferred Shares of a proposed Corporation Determined Dividend Rate to apply with respect to each Dividend Period within a proposed Corporation Determined Term:

- (i) no earlier than on the sixtieth day and no later than on the forty-fifth day prior to the day on which the Initial Five Year Term ends,
- (ii) from time to time during any Corporation Determined Term, Dealer Determined Term or Auction Dividend Period (other than during the first Auction Dividend Period within an Auction Term), as the case may be, provided that in such circumstances such notification is given no earlier than on the sixtieth day and no later than on the forty-fifth day

prior to the day on which the current Corporation Determined Term or Dealer Determined Term ends or no earlier than on the twenty-fifth day and no later than on the twentieth day prior to the day on which the current Auction Dividend Period ends, as the case may be, and

- (iii) no earlier than on the twenty-fifth day and no later than on the twentieth day prior to the day on which the Initial Five Year Term, the current Corporation Determined Term or the Dealer Determined Term, as the case may be, shall terminate pursuant to the provisions of section II.1 (f).

Such notification to such holders shall also:

- (A) specify a date on or before which each holder must notify the Corporation in writing of its acceptance of the proposed Corporation Determined Dividend Rate and the proposed Corporation Determined Term, if such holder intends to accept such rate and term, which date shall be no later than the thirty-fifth day prior to the day on which the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term ends or no later than the fifteenth day prior to the day on which the current Auction Dividend Period ends or no later than the fifteenth day prior to the day on which the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term shall terminate pursuant to section II.1 (f) , as the case may be; and

- (B) specify that the proposed Corporation Determined Dividend Rate and the proposed Corporation Determined Term shall become effective for the purposes of determining the dividends to be paid on the Dividend Payment Dates for Dividend Periods during such proposed Corporation Determined Term only if all of the holders of Series A Preferred Shares accept such rate and term.

2. Acceptance of Corporation Determined Dividend Rate

If,

- (i) by the time prescribed in paragraph (A) of section III.1. hereof, all of the holders of Series A Preferred Shares have accepted the proposed Corporation Determined Dividend Rate and the proposed Corporation Determined Term as evidenced by notice in writing to the Corporation, and
- (ii) on or before the thirtieth day prior to the date on which the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term ends or on or before the twelfth day prior to the day on which the current Auction Dividend Period ends or on or before the thirtieth day prior to the date on which the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term shall terminate pursuant to section II.1 (f), as the case may be, the Corporation has notified all of such holders that each of them has agreed with the Corporation on such rate and term;

such Corporation Determined Dividend Rate and Corporation Determined Term shall apply for the purposes of determining the dividend to be paid on the Series A Preferred Shares on each Dividend Payment Date in respect of Dividend Periods during such Corporation Determined Term.

3. Termination of Application

Notwithstanding the acceptance of a Corporation Determined Dividend Rate and a Corporation Determined Term as provided for in this Part III, the Corporation may notify the holders of Series A Preferred Shares that the Corporation does not intend to implement application of the Corporation Determined Dividend Rate and Corporation Determined Term as set forth in the notification to holders provided that such notification is given by the Corporation prior to the end of the Initial Five Year Term or the current Corporation Determined Term, Dealer Determined Term or Auction Dividend Period, as the case may be or prior to the Termination pursuant to the provisions of section II.1 (f) of the Initial Five Year Term or of the current Corporation Determined Term or Dealer Determined Term, as the case may be. In such circumstances, the provisions of Part IV hereof may be applied in accordance with such Part, failing which the provisions of Part V hereof shall be applied in accordance with such Part. Any such notification shall not limit or restrict the right of the Corporation, prior to the expiry of any subsequent Corporation Determined Term, Dealer Determined Term or Auction Dividend Period, as the case may be, to implement the provisions of this Part III by forwarding a notification to the holders of Series A Preferred Shares.

4. Miscellaneous

In the event that there is any inconsistency, ambiguity or uncertainty in the interpretation or application of the procedures set forth in this Part III, the Directors (or any person or persons designated by the Directors) may, in such manner as they or he shall determine in their or his sole discretion, interpret such procedures in order to deal with such inconsistency, ambiguity or uncertainty and any such determination evidenced by a certificate of the Chief Financial Officer of the Corporation (which shall be provided to holders of Series A Preferred Shares) shall be conclusive.

IV. PART IV

DEALER BIDS PROCEDURES

1. Bids by Dealers

(a) The Corporation may solicit bids from one or more Dealers for the purchase of all of the Series A Preferred Shares:

(i) no earlier than on the thirtieth day and no later than on the twenty-fifth day prior to the day on which the Initial Five Year Term ends,

(ii) from time to time during any Corporation Determined Term, Dealer Determined Term or Auction Dividend Period (other than during the first Auction Dividend Period within an Auction Term), as the case may be, provided that in such circumstances such solicitation

is made no earlier than on the thirtieth day and no later than on the twenty-fifth day prior to the day on which the current Corporation Determined Term or Dealer Determined Term ends or no earlier than on the thirteenth day and no later than on the tenth day prior to the day on which the current Auction Dividend Period ends, as the case may be, and

- (iii) no earlier than on the thirteenth day and no later than on the tenth day prior to the day on which the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term, as the case may be, shall terminate pursuant to the provisions of section II.1 (f).

Such solicitation shall be contained in a Notice Requesting Bids to be sent by the Corporation to such Dealers which notice shall:

- (A) invite each Dealer to submit to the Corporation a Dealer Offer, and
- (B) specify a date, which date shall not be more than 10 days after the giving of such notice except if such notice is given during an Auction Dividend Period or as a result of the termination of the Initial Five Year Term, the current Corporation Determined Term or Dealer Determined Term, pursuant to section II.1 (f), in which case the date specified shall not be more than 5 days

after the giving of such notice, by which any such offer must be received (the "Dealer Response Date") by the Corporation.

(b) Each Dealer receiving a Notice Requesting Bids may submit a Dealer Offer provided such Dealer does so by the Dealer Response Date and provided that such Dealer Offer specifies:

(i) for the purpose of determining the Dealer Determined Dividend Rate in the event such Dealer's Dealer Offer is accepted under section IV.1.(c):

(A) the Dealer Determined Percentage of the Average Prime Rate (to be determined as described in paragraph (i) of the definition herein of "Dealer Determined Dividend Rate");

(B) the Dealer Determined Percentage of the Bankers' Acceptance Rate (to be determined as described in paragraph (ii) of the definition herein of "Dealer Determined Dividend Rate");
or

(C) a fixed annual percentage rate;

(ii) a Dealer Determined Term for which the rate referred to in paragraph (i) of this section IV.1.(b) shall apply; and

(iii) the amount of any fees to be paid by the Corporation to the Dealer in respect of the Series A Preferred Shares in the event such Dealer's Dealer Offer is accepted by the Corporation.

(c) If the Corporation wishes to accept a Dealer Offer, it shall signify such acceptance on or before the fifteenth day prior to the day on which the Initial Five Year Period or current Corporation Determined Term or Dealer Determined Term ends or on or before the fifth day prior to the day on which the current Auction Dividend Period ends or on or before the fifth day prior to the day on which the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term shall terminate, as the case may be, pursuant to section II.1 (E) by notice to the Dealer whose Dealer Offer it accepts (an "Accepted Dealer Offer"). The Dealer Determined Dividend Rate and Dealer Determined Term specified in the Accepted Dealer Offer shall apply for the purposes of determining the dividends to be paid on the Series A Preferred Shares on each Dividend Payment Date in respect of each Dividend Period during such Dealer Determined Term. The Dealer whose Dealer Offer is accepted will be required to purchase all of the Series A Preferred Shares not retained by the existing holders on the last day of the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term or on the Settlement Date immediately following the current Auction Dividend Period, as the case may be, on the terms contained in the Accepted Dealer Offer.

- (d) Concurrently with its acceptance of a Dealer Offer, and in any event no later than the fifteenth day prior to the day on which the Initial Five Year Term or current Corporation Determined Term or Dealer Determined Term ends or no later than the fifth day prior to the day on which the current Auction Dividend Period ends or no later than the fifth day prior to the day on which the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term shall terminate, as the case may be, pursuant to section II.1 (f) the Corporation shall notify (a "Notification to Holders") each existing holder of Series A Preferred Shares that the Corporation has accepted a Dealer Offer. Such notification shall:
- (i) specify the Dealer Determined Dividend Rate to apply to the Series A Preferred Shares;
 - (ii) specify the Dealer Determined Term for which the Dealer Determined Dividend Rate referred to in paragraph (i) of this section XV.1.(d) shall apply;
 - (iii) notify such holders of the right of each holder either to sell all or some of the Series A Preferred Shares it holds to such Dealer or to continue to hold all or some of the Series A Preferred Shares it holds;
 - (iv) notify such holders of the date (which shall not be earlier than the tenth day and not less than the sixth day prior to the day on which the Initial Five Year Term or current

Corporation Determined Term or Dealer Determined Term ends or not earlier than the third day and not less than the second day prior to the day on which the current Auction Dividend Period ends or not earlier than the third day and not less than the second day on which the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term shall terminate, as the case may be, pursuant to section II.1 (f) on or before which the Corporation must have received written notice from such holder of its decision to sell all or some of the Series A Preferred Shares it holds as provided for in section V.1.(e) hereof;

(v) notify such holders that any holder of Series A Preferred Shares that fails to respond to the Notification to Holders by the date specified for response therein will be deemed to have elected to continue to hold all of the Series A Preferred Shares then held by it subject to the terms and conditions as to the Dealer Determined Dividend Rate and the Dealer Determined Term which are set forth in the Notification to Holders; and

(vi) identify the Dealer whose Dealer Offer has been accepted.

(e) Upon receipt of the Notification to Holders, an existing holder of Series A Preferred Shares may

elect to sell Series A Preferred Shares in accordance with the terms specified in such Notification to Holders by notifying the Corporation in writing of such decision and of the number of shares to be sold. Each holder of Series A Preferred Shares who elects to sell all or some of its Series A Preferred Shares shall, together with such notice, deposit the certificate or certificates representing the Series A Preferred Shares which such holder desires to sell (with the transfer panel on such certificate duly completed and signed or, in the alternative, with a duly completed stock transfer power of attorney accompanying such certificate or certificates) at any place where the Series A Preferred Shares may be transferred or any other place or places in Canada specified by the Corporation to holders of Series A Preferred Shares in the Notification to Holders. If a holder of Series A Preferred Shares wishes to sell only some of the Series A Preferred Shares represented by any share certificate or certificates the holder may deposit the certificate or certificates, as aforementioned, and the Corporation shall issue and deliver to such holder, at the expense of the Corporation, a new share certificate representing the Series A Preferred shares which are not being delivered for sale. Any holder of Series A Preferred Shares that fails to respond to the Notification to Holders by the date specified for response therein will be deemed to have elected to continue to hold all of the Series A Preferred Shares then held by it subject to the terms and conditions as to the Dealer Determined Dividend Rate and the Dealer Determined Term which are set forth in the Notifi-

cation to Holders. The Corporation shall have all such powers and authority as may be necessary to determine finally the adequacy of all transfer instruments and related matters with respect to the sale of shares by an existing holder to a Dealer hereunder. Any determination by the Corporation to the effect that any instrument of transfer is incomplete or ineffective shall bind the holder intending to sell any of its Series A Preferred Shares pursuant to the provisions of this Part IV and shall also bind the Dealer in question.

- (f) Not later than on the Business Day next preceding the day on which the Initial Five Year Term or the current Corporation Determined Term, Dealer Determined Term or Auction Dividend Period, as the case may be, ends or the Initial Five Year Term, the current Corporation Determined Term or Dealer Determined Term, as the case may be, shall terminate, the Corporation shall notify the Dealer submitting the Accepted Dealer Offer of the number of shares to be purchased by such Dealer in accordance with section IV.1.(g) hereof and of the identity of the vendor or vendors thereof.
- (g) On the last day of the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term or on the Settlement Date immediately following the end of the current Auction Dividend Period or of the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term as terminated pursuant to the provisions of section II.1 (f), as the case may be, the Dealer submitting the Accepted Dealer Offer

shall purchase the Series A Preferred Shares from the holders specified in section IV.1.(f) hereof at the purchase price of \$1,000,000 per Series A Preferred Share. For the purposes of completing such purchase, the Dealer submitting the Accepted Dealer Offer shall deposit with the Corporation, at its principal place of business, on or prior to noon (Montreal time) on such date, a certified cheque payable to the Corporation, as agent for the vendor or vendors referred to in section IV.1.(f) hereof, representing the aggregate purchase price for the Series A Preferred Shares to be purchased pursuant to this section IV.1.(g) together with a direction as to registration particulars with respect to such Series A Preferred Shares to be purchased. Upon receipt of such certified cheque as aforesaid, the Corporation shall deliver to the vendor or vendors at the principal place of business of the Corporation cheques payable to the vendor or vendors in payment of the purchase price for such Series A Preferred Shares (less any tax required to be deducted and withheld therefrom) against delivery of the certificates therefor duly completed in accordance with section IV.1.(e), and delivery of such cheques by the Corporation shall be deemed to be payment and shall satisfy and discharge all liability for such purchase price to the extent of the amount represented by such cheques (plus any tax required to be and in fact deducted and withheld therefrom and remitted to the proper tax authority), unless such cheques are not paid on due presentation.

2. Termination of Application

Notwithstanding the acceptance of a Dealer Offer as provided for in this Part IV, the Corporation may notify the holders of Series A Preferred Shares that the Corporation does not intend to implement application of the Dealer Determined Dividend Rate and Dealer Determined Term as set forth in the Notification to Holders provided that such notification is given by the Corporation prior to the end of the Initial Five Year Term or the current Corporation Determined Term, Dealer Determined Term or Auction Dividend Period, as the case may be, or prior to the termination of the Initial Five Year Term or the current Corporation Determined Term or Dealer Determined Term pursuant to section II.1 (f), as the case may be. The rights of the Corporation hereunder shall be deemed to be a term of each Dealer Bid. In such circumstances, the provisions of Part V hereof shall be applied in accordance with such Part and, for greater certainty, the Dealer whose Dealer Offer has been accepted shall not have any right or obligation to purchase and no holder who has elected to sell Series A Preferred Shares under such offer shall have any right or obligation to sell any Series A Preferred Shares pursuant to such Dealer Offer. Any such notification shall not limit or restrict the right of the Corporation, prior to the end of any subsequent Corporation Determined Term, Dealer Determined Term or Auction Dividend Period, as the case may be, to implement the provisions of this Part IV by forwarding a Notice Requesting Bids to one or more Dealers.

3. Miscellaneous

In the event that there is any inconsistency, ambiguity or uncertainty in the interpretation or application of the

procedures set forth in this Part IV, the Directors (or any person or persons designated by the Directors) may, in such manner as they or he shall determine in their or his sole discretion, interpret such procedures in order to deal with such inconsistency, ambiguity or uncertainty and any such determination evidenced by a certificate of the Chief Financial Officer of the Corporation (which shall be provided to holders of Series A Preferred Shares) shall be conclusive.

V. PART V
AUCTION PROCEDURES

1. Orders by Existing Holders and Potential Holders

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Holder may submit to a Dealer information as to the number of Series A Preferred Shares, if any, held by such Existing Holder which such Existing Holder:

(A) desires to continue to hold without regard to the Current Dividend Rate; and/or

(B) desires to continue to hold, provided that the Current Dividend Rate shall not be less than the dividend rate per annum specified by such Existing Holder; and/or

(C) offers to sell without regard to the Current Dividend Rate; and

(ii) Potential Holders may submit to a Dealer offers to purchase Series A Preferred Shares, provided that any such offer shall be effective only if the Current Dividend Rate shall not be less than the dividend rate per annum specified by such Potential Holder.

The communication to a Dealer of the information referred to in this section V.1.(a) is an "Order" and, collectively, are "Orders", and each Existing Holder and each Potential Holder placing an Order is a "Bidder" and, collectively, are "Bidders"; an Order containing the information referred to in subparagraph (i)(A) of this section V.1.(a) is a "Hold Order" and, collectively, are "Hold Orders"; an Order containing the information referred to in subparagraph (i)(B) or paragraph (ii) of this section V.1.(a) is a "Bid" and, collectively, are "Bids"; and an Order containing the information referred to in subparagraph (i)(C) of this section V.1(a) is a "Sell Order" and, collectively, are "Sell Orders".

(b) (i) A Bid by an Existing Holder shall constitute an irrevocable offer to sell at a price per Series A Preferred Share equal to \$1,000,000:

(A) the number of Series A Preferred Shares specified in such Bid if the

Winning Bid Rate determined on the applicable Auction Date is less than the rate specified in such Bid;

(B) the number of Series A Preferred Shares specified in such Bid or a lesser number to be determined as set forth in paragraph (iv) of section V.4.(a) hereof if the Winning Bid Rate determined on such Auction Date is equal to the rate specified in such Bid; or

(C) a number of Series A Preferred Shares which is less than the number thereof specified in such Bid to be determined as set forth in paragraph (iii) of section V.4.(b) hereof if the rate specified in such Bid is higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Holder shall constitute an irrevocable offer to sell at a price per Series A Preferred Share equal to \$1,000,000:

(A) the number of Series A Preferred Shares specified in such Sell Order if Sufficient Clearing Bids do exist; or

(B) a lesser number of Series A Preferred Shares to be determined as set forth in paragraph (iii) of section V.4.(b) hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Holder shall constitute an irrevocable offer to purchase at a price per Series A Preferred Shares equal to \$1,000,000:

(A) the number of Series A Preferred shares specified in such Bid if the Winning Bid Rate determined on the applicable Auction Date is higher than the rate specified in such Bid;

(B) the specified number or a lesser number of Series A Preferred shares to be determined as set forth in paragraph (v) of section V.4.(a) hereof if the Winning Bid Rate determined on such Auction Date is equal to the rate specified in such Bid; or

(C) the specified number of Series A Preferred Shares if the rate specified in such Bid is equal to or lower than the Maximum Rate and Sufficient Clearing Bids do not exist.

(c) A rate specified by an Existing Holder or Potential Holder in any Bid shall be a fixed annual percentage rate or a specified percentage of the Bankers'

Acceptance Rate determined on the relevant Auction Date.

- (d) If none of the holders of Series A Preferred Shares is an Existing Holder for the purposes of this Part V on any date which would be an Auction Date hereunder, the Current Dividend Rate for the next succeeding Auction Dividend Period shall be equal to 50% of the Bankers' Acceptance Rate determined on the Auction Date, subject to a minimum dividend rate of 7.5% per annum, compounded monthly, until August 15, 1995.

2. Submission of Orders by Dealers to the Auction Manager

- (a) Each Dealer shall submit to the Auction Manager in writing in accordance with its Dealer Agreement prior to the Submission Deadline on each Auction Date all Orders obtained by such Dealer and specifying with respect to each Order:
 - (i) the name of the Bidder placing such Order;
 - (ii) the aggregate number of Series A Preferred Shares that are the subject of the Order;
 - (iii) to the extent that the Bidder is an Existing Holder, the number of Series A Preferred Shares, if any, subject to any:
 - (A) Hold Order placed by such Existing Holder;

(B) Bid placed by such Existing Holder and the rate specified in such Bid; and/or

(C) Sell Order placed by such Existing Holder; and

(iv) to the extent that the Bidder is a Potential Holder, the rate specified in the Bid of such Potential Holder.

(b) If any rate specified in any Bid contains more than three digits to the right of the decimal point, the Auction Manager shall round such rate up to the next highest one-thousandth of one percent (0.001%).

(c) If for any reason an Order or Orders covering in the aggregate all the Series A Preferred Shares held by an Existing Holder is not submitted to the Auction Manager prior to the Submission Deadline, the Auction Manager shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the number of Series A Preferred Shares held by such Existing Holder and not subject to Orders submitted to the Auction Manager.

(d) If one or more Orders covering in the aggregate more than the number of Series A Preferred Shares held by an Existing Holder are submitted to the Auction Manager, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid, but only up to and including, in the aggregate, the number of Series A Preferred Shares held by such Existing Holder, and, solely for the purposes of allocating compensation among the Dealers submitting Hold Orders, if the number of Series A Preferred Shares subject to such Hold Orders exceeds the number of Series A Preferred Shares held by such Existing Holder, the number of Series A Preferred Shares subject to each such Hold Order shall be reduced pro rata to cover the number of Series A Preferred Shares held by such Existing Holder;

(ii) (A) a Bid shall be considered valid (subject to the succeeding subparagraphs of this paragraph V.2.(d)(ii)) (and shall be considered to have been made only for an amount) up to and including the excess of the number of Series A Preferred Shares held by such Existing Holder over the number of Series A Preferred Shares subject to any Hold Order referred to in paragraph (i) of this section V.2.(d);

(B) subject to subparagraph (A) of this paragraph V.2.(d)(ii), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid in the ascending order of their respective

rates up to and, subject to subparagraph (C) of this paragraph, including, the Bid (or Bids with the same rate) that exhausts the balance of the excess referred to in subparagraph (A) of this paragraph V.2.(d)(ii) and any Bid not considered valid pursuant to this subparagraph (B) shall be deemed not to have been made; and

(C) subject to subparagraphs (A) and (B) of this paragraph, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the number of Series A Preferred Shares subject to such Bids is greater than the excess referred to in subparagraph (A) of this paragraph (after deducting therefrom the aggregate number of Series A Preferred Shares subject to Bids with lower rates that are considered valid under subparagraph (B) of this paragraph), such Bids shall be considered valid up to the amount of such excess (after such deduction) and the number of Series A Preferred Shares subject to each such Bid with the same rate shall be deemed to be reduced pro rata to cover the number of Series A Preferred Shares equal to such excess (after such deduction); and

(iii) all Sell Orders shall be considered valid but only up to and including in the aggre-

gate the excess of the number of Series A Preferred Shares held by such Existing Holder over the sum of the Series A Preferred Shares subject to Hold Orders referred to in paragraph (i) of this section V.2.(d) and valid Bids by Existing Holders referred to in paragraph (ii) of this section V.2.(d).

- (e) If more than one Bid is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid.

3. Determination of Sufficient Clearing Bids, Winning Bid Rate and Current Dividend Rate

- (a) On the Submission Deadline on each Auction Date, the Auction Manager shall assemble all Orders submitted or deemed submitted to it by the Dealers (each such Order as submitted by a Dealer or as deemed to be submitted on behalf of Existing Holders being individually a "Submitted Hold Order", a "Submitted Bid" or a "Submitted Sell Order", as the case may be, or a "Submitted Order" and, collectively, "Submitted Hold Orders", "Submitted Bids" or "Submitted Sell Orders", as the case may be, or "Submitted Orders") and shall determine:

- (i) the excess of (A) the total number of Series A Preferred Shares held by Existing Holders issued and outstanding over (B) the number of Series A Preferred Shares that are the

subject of Submitted Hold Orders (such excess being the "Available Shares");

(ii) from the Submitted Orders, whether:

(A) the number of Series A Preferred Shares that are the subject of Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Rate;

exceeds or is equal to the sum of:

(B) (I) the number of Series A Preferred Shares that are the subject of Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Rate; and

(II) the number of Series A Preferred Shares that are the subject of Submitted Sell Orders;

and if such excess or equality exists (other than because all of the Series A Preferred Shares are the subject of Submitted Hold Orders), then such Submitted Bids in subparagraph (ii)(A) of this section V.3. shall be "Sufficient Clearing Bids"; and

(iii) if Sufficient Clearing Bids exist, the lowest rate specified in the Submitted Bids which if the Auction Manager were to accept:

(A) (I) each Submitted Bid from Existing Holders specifying that lowest rate, and

(II) all other Submitted Bids from Existing Holders specifying lower rates,

thus entitling those Existing Holders to continue to hold the aggregate number of Series A Preferred Shares that are specified in those Submitted Bids; and

(B) (I) each Submitted Bid from Potential Holders specifying that lowest rate, and

(II) all other Submitted Bids from Potential Holders specifying lower rates,

thus entitling those Potential Holders to purchase the aggregate number of Series A Preferred Shares that are specified in those Submitted Bids;

would result in such Existing Holders described in subparagraph (A) hereof continuing to hold an aggregate number of Series A Preferred Shares which, when added to the aggregate number of Series A Preferred Shares to be purchased by such Potential Holders described in subparagraph (B) hereof, would equal not less than the number

of Available Shares. This lowest rate is the "Winning Bid Rate".

- (b) Promptly after the Auction Manager has made the determinations pursuant to section V.3.(a) hereof, the Auction Manager shall advise the Corporation of the Bankers' Acceptance Rate on the relevant Auction Date and, based on such determinations, of the dividend rate applicable to the Series A Preferred Shares for the next succeeding Auction Dividend Period (the "Current Dividend Rate") as follows:
- (i) if Sufficient Clearing Bids exist, that the Current Dividend Rate for the next succeeding Auction Dividend Period shall be equal to the Winning Bid Rate so determined;
 - (ii) if Sufficient Clearing Bids do not exist (other than because all of the Series A Preferred Shares are the subject of Submitted Hold Orders), that the Current Dividend Rate for the next succeeding Auction Dividend Period shall be equal to the Maximum Rate; or
 - (iii) if all of the Series A Preferred Shares are the subject of Submitted Hold Orders, that the Current Dividend Rate for the next succeeding Auction Dividend Period shall be equal to 50% of the Bankers' Acceptance Rate determined on the Auction Date, subject to a minimum dividend rate of 7.5% per annum, compounded monthly, until August 15, 1995.

4. Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Shares

Based on the determinations made pursuant to section V.3.(a) hereof, the Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Manager shall take such other action as set forth below:

(a) If Sufficient Clearing Bids have been made, subject to the provisions of sections V.4.(d) and V.4.(e) hereof, Submitted Bids and Submitted Sell Orders shall be accepted and rejected in the following order of priority and all other Submitted Bids shall be rejected:

(i) (A) each Submitted Sell Order of each Existing Holder shall be accepted and (B) each Submitted Bid of each Existing Holder in which is specified any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Holder to sell the Series A Preferred Shares that are the subject of each such Submitted Sell Order and each such Submitted Bid;

(ii) each Submitted Bid of each Existing Holder in which is specified any rate that is lower than the Winning Bid Rate shall be accepted, thus entitling each such Existing Holder to continue to hold the Series A Preferred shares that are the subject of such Submitted Bid;

- (iii) each Submitted Bid of each Potential Holder in which is specified any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the number of Series A Preferred Shares specified in such Submitted Bid;
- (iv) each Submitted Bid of each Existing Holder in which is specified a rate that is equal to the Winning Bid Rate shall be accepted, thus entitling each such Existing Holder to continue to hold the Series A Preferred Shares that are the subject of such Submitted Bid, unless the sum of the number of Series A Preferred Shares subject to Submitted Bids made by all such Existing Holders in which is specified a rate equal to the Winning Bid Rate is greater than the total number of Available Shares minus the number of Series A Preferred Shares subject to Submitted Bids described in paragraphs (ii) and (iii) of this section V.4.(a) (the "Remaining Shares"). In this event, each Submitted Bid of each such Existing Holder described in this paragraph (iv) shall be rejected, and each such Existing Holder shall be required to sell Series A Preferred Shares, but only in an amount equal to the difference between (A) the number of Series A Preferred Shares then held by such Existing Holder subject to such Submitted Bid, and (B) the number of Series A Preferred Shares obtained by multiplying (x) the number of Remaining Shares by (y) a

fraction, the numerator of which shall be the number of Series A Preferred Shares held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the number of Series A Preferred Shares subject to Submitted Bids made by all such Existing Holders in which is specified a rate equal to the Winning Bid Rate; and

- (v) each Submitted Bid of each Potential Holder in which is specified a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the number of Series A Preferred Shares obtained by multiplying (A) the excess, if any, of the total number of Available Shares over the number of Series A Preferred Shares subject to accepted Submitted Bids described in clauses (ii), (iii) and (iv) of this section V.4.(a) by (B) a fraction, the numerator of which shall be the number of Series A Preferred Shares specified in such Submitted Bid and the denominator of which shall be the sum of the number of Series A Preferred Shares subject to Submitted Bids made by all Potential Holders in which is specified a rate equal to the Winning Bid Rate.

- (b) If Sufficient Clearing Bids have not been made (other than because all of the Series A Preferred Shares are subject to Submitted Hold Orders), subject to the provisions of sections V.4.(d) and V.4.(e) hereof, Submitted Bids and Submitted Sell

Orders shall be accepted or rejected in the following order of priority and all other Submitted Bids shall be rejected:

- (i) each Submitted Bid of each Existing Holder in which is specified any rate that is equal to or lower than the Maximum Rate shall be accepted, thus entitling that Existing Holder to continue to hold the Series A Preferred Shares that are the subject of such Submitted Bid;
- (ii) each Submitted Bid of each Potential Holder in which is specified any rate that is equal to or lower than the Maximum Rate shall be accepted, thus requiring such Potential Holder to purchase the number of Series A Preferred Shares specified in such Submitted Bid; and
- (iii) each Submitted Bid of each Existing Holder in which is specified any rate that is higher than the Maximum Rate shall be rejected and each Submitted Sell Order of each Existing Holder shall be accepted, thus requiring each such Existing Holder to sell Series A Preferred Shares but only in an amount equal to the number of Series A Preferred Shares obtained by multiplying the aggregate number of Series A Preferred Shares subject to Submitted Bids described in paragraph (ii) of this section V.4.(b) by a fraction, the numerator of which shall be the number of Series A Preferred Shares held

by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the sum of the number of Series A Preferred Shares subject to all such Submitted Bids and Submitted Sell Orders referred to in this paragraph (iii) by all such Existing Holders.

- (c) If all of the Series A Preferred Shares are subject to Submitted Hold Orders, all of the Submitted Bids by Potential Holders shall be rejected.
- (d) If, as a result of the procedures described in section V.4.(a) or V.4.(b) hereof, any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a fraction of a Series A Preferred Share on any Settlement Date, the Auction Manager shall, in such manner as it shall determine in its sole discretion, round up or down the number of Series A Preferred Shares to be purchased or sold by an Existing Holder or Potential Holder on such Settlement Date so that the number of shares purchased or sold by each Existing Holder or Potential Holder shall be a whole number of Series A Preferred Shares.
- (e) If, as a result of the procedures described in section V.4.(a) hereof, any Potential Holder would be entitled or required to purchase a fraction of a Series A Preferred Share on any Settlement Date, the Auction Manager shall, in such manner as it shall determine in its sole discretion, allocate

shares for purchase among Potential Holders so that only whole Series A Preferred Shares are purchased on such Settlement Date by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing Series A Preferred Shares on such Settlement Date.

- (f) Based on the results of each Auction, the Auction Manager shall determine to which Potential Holder or Potential Holders purchasing Series A Preferred Shares an Existing Holder or Existing Holders shall sell Series A Preferred Shares being sold by such Existing Holder or Existing Holders. Such purchases and sales of Series A Preferred Shares shall be completed in accordance with the procedures specified in the Purchaser's Letter on the Settlement Date by payment by each Potential Holder purchasing Series A Preferred Shares of the aggregate purchase price of the Series A Preferred Shares to be purchased from a relevant Existing Holder equal to \$1,000,000 per Series A Preferred Share against delivery by such Existing Holder selling Series A Preferred Shares to such Potential Holder of a certificate or certificates representing the number of Series A Preferred Shares being sold, duly endorsed for transfer.

5. Miscellaneous

- (a) Notwithstanding the provisions of Part V hereof, the Auction Manager shall not follow the Auction Procedures on the Auction Date immediately preceding:

- (i) the Redemption Date in the event that written Notice of Redemption of all the outstanding Series A Preferred Shares has been given pursuant to the provisions of section II.3. hereof, or
- (ii) the first day of a Corporation Determined Term or Dealer Determined Term.

(b) In the event that there is any inconsistency, ambiguity or uncertainty in the interpretation or application of the procedures set forth in this Part, the Directors (or any person or persons designated by the Directors) may, in such manner as they or he shall determine in their or his sole discretion, interpret such procedures in order to deal with any such inconsistency, ambiguity or uncertainty and any such determination evidenced by a certificate of the Chief Financial Officer of the Corporation (which shall be provided to holders of Series A Preferred Shares) shall be conclusive.

VI. PART VI

CONVERSION INTO CLASS A SUBORDINATE VOTING SHARES

1. Conversion Privilege

Upon and subject to the terms and conditions hereinafter set forth, each holder of Series A Preferred Shares shall have the right to convert all or any part of the Series A Preferred Shares held by such holder at any time into fully paid and non-assessable Class A Subordinate Voting Shares at the Conversion Ratio in effect on the Date of conversion. For the purposes hereof, "Conversion Ratio" means, at any

date, the quotient obtained by dividing \$1,000,000 by the greater of (i) the Minimum Conversion Price determined as at such date, and (ii) 95% of the Current Market Value of the Class A Subordinate Voting Shares determined as at such date (or 85% of the Current Market Value of the Class B Share if the Class A Subordinate Voting Shares are not listed on a recognized Canadian stock exchange at the Date of Conversion). For the purposes hereof, "Minimum Conversion Price" means, at any date, \$1.25, subject to adjustment from time to time in accordance with section VI.2. or such lower amount as may be approved by the stock exchanges on which the Class A Subordinate Voting Shares are listed at any relevant time (provided that the Corporation shall be under no obligation to seek any such approval in any particular instance).

2. Adjustment of Minimum Conversion Price

- (a) If the Corporation (i) subdivides its outstanding Class A Subordinate Voting Shares into a greater number of shares, (ii) consolidates its outstanding Class A Subordinate Voting Shares into a smaller number of shares, or (iii) issues Class A Subordinate Voting Shares (or securities convertible or exchangeable into Class A Subordinate Voting Shares) to the holders of its outstanding Class A Subordinate Voting Shares by way of a stock dividend (other than an issue of Class A Subordinate Voting Shares in lieu of cash dividends declared payable in the ordinary course by the Corporation on its Class A Subordinate Voting Shares), the Minimum Conversion Price in effect on the effective date of such subdivision or consolidation or on the record date for such issue of Class A Subordinate Voting Shares (or securities convertible or exchan-

geable into Class A Subordinate Voting Shares) by way of a stock dividend, as the case may be, shall be adjusted immediately after the effective date for such subdivision or consolidation or the record date for such dividend, as the case may be, so that it shall equal the price determined by multiplying the Minimum Conversion Price in effect on such effective date or record date, as the case may be, by a fraction, the numerator of which shall be the number of Class A Subordinate Voting Shares outstanding on such effective date or record date, as the case may be, before giving effect to such subdivision, consolidation or dividend, and the denominator of which shall be the number of Class A Subordinate Voting Shares outstanding after giving effect to such subdivision, consolidation or dividend (including in both the numerator and denominator of such fraction, in the case of securities convertible or exchangeable into Class A Subordinate Voting Shares, the number of such shares that would have been outstanding had such securities been converted or exchanged on the effective date or record date, as the case may be). Such adjustment shall be made successively whenever any event referred to in this section VI.2. shall occur. For the purposes of this section VI.2., "dividends declared payable in the ordinary course" shall mean dividends paid on the Class A Subordinate Voting Shares in any fiscal year of the Corporation, whether in (1) cash, (2) securities of the Corporation, including rights, options or warrants to purchase any securities of the Corporation or property or other assets of the Corporation, or (3) property or other assets of the Corporation, to the

extent that the amount or value of such dividend together with the amount or value of all dividends theretofore paid during such fiscal year (any such securities, property or other assets so distributed to be valued at the faire market value of such securities, property or other assets, as the case may be, as determined by the Directors, which determination shall be conclusive) does not exceed the greater of: (i) 150% of the aggregate amount or value of dividends paid by the Corporation on the Class A Subordinate Voting Shares in the period of 12 consecutive months ended immediately prior to the first day of such fiscal year; or (ii) 100% of the consolidated net income of the Corporation before extraordinary items for the period of 12 consecutive months ended immediately prior to the first day of such fiscal year less the amount of all dividends payable in respect of such consecutive 12 month period on all shares ranking prior to or on a parity with the Class A Subordinate Voting Shares in respect of the payment of dividends (such consolidated net income, extraordinary items and dividends to be shown in the audited consolidated financial statements of the Corporation for such period of 12 consecutive months or if there are no audited consolidated financial statements for such period, computed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the most recent audited consolidated financial statements of the Corporation; or (iii) 30% of the arithmetic mean of the aggregate amount and/or value of the dividends paid by the Corporation on the Class A Subordinate Voting Shares during the period of each of the

three 12 months periods comprising the 36 consecutive months ended immediately prior to the first day of such fiscal year.

- (b) If and whenever the Corporation shall fix a record date for the issuance of rights, options or warrants to all or substantially all the holders of its outstanding Class A Subordinate Voting Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Class A Subordinate Voting Shares (or securities convertible into or exchangeable for Class A Subordinate Voting Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Value of a Class A Subordinate Voting Shares on such record date, the Minimum Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Minimum Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Class A Subordinate Voting Shares outstanding on such record date plus a number of Class A Subordinate Voting Shares outstanding on such record date plus a number of Class A Subordinate Voting Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Class A Subordinate Voting Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Value of a Class A Subordinate Voting Shares, and of which the denominator shall be the total number of Class A Subordi-

nate Voting Shares outstanding on such record date plus the total number of additional Class A Subordinate Voting Shares offered for subscription or purchase (or into which the convertible or exchangeable securities so offered are convertible or exchangeable); any Class A Subordinate Voting Shares owned by or held for the account of the Corporation or any direct or indirect subsidiary of the Corporation shall be deemed not to be outstanding for the purpose of any such computation; to the extent that any such rights, options or warrants are not so issued or any such rights, options or warrants are not exercised prior to the expiration thereof, the Minimum Conversion Price shall be readjusted to the Minimum Conversion Price which would then be in effect if such record date had not been fixed or to the Minimum Conversion Price which would then be in effect based upon the number of Class A Subordinate Voting Shares (or securities convertible into or exchangeable for Class A Subordinate Voting Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

- (c) In the case of any reclassification of or other change in the outstanding Class A Subordinate Voting Shares, or in the event of any amalgamation of the Corporation with, or merger of the Corporation into, any other corporation; the right of each holder of Series A Preferred Shares to receive Class A Subordinate Voting Shares upon conversion shall be adjusted immediately after the effective date for such reclassification or other change, amalgamation or merger so that such holders of

Series A Preferred Shares shall be entitled to receive upon a conversion after such reclassification, or other change, amalgamation or merger such kind of shares as they would have received had such Series A Preferred Shares been converted into Class A Subordinate Voting Shares of the Corporation immediately prior to such reclassification or other change, amalgamation or merge becoming effective. In any case in which this section VI.2. shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the holder of any Series A Preferred Shares converted after such record date and before the occurrence of such event the additional Class A Subordinate Voting Shares issuable upon such conversion by reason of the adjustment required by such event in addition to the Class A Subordinate Voting Shares issuable upon such conversion before giving effect to such adjustment, provided, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Class A Subordinate Voting Shares upon the occurrence of the event requiring such adjustment.

- (d) All adjustments provided for herein shall be cumulative and shall apply to successive events requiring adjustments; provided, however, no adjustment in the Minimum Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price, provided, however, that any adjustments which are not so

required to be made shall be carried forward and taken into account in any subsequent adjustment. If any question shall at any time arise with respect to adjustments in the amount of the Minimum Conversion Price, such question shall be conclusively determined by the auditors from time to time of the Corporation and shall be binding upon the Corporation and all holders, transfer agents and registrars of Series A Preferred Shares and Class A Subordinate Voting Shares. Forthwith after the occurrence of any adjustment in the Minimum Conversion Price pursuant to this section VI.2., the Corporation shall file with the Transfer Agent and Registrar of the Corporation for the Series A Preferred Shares a certificate certifying as to the amount of such adjustment and the event requiring and the manner of computing such adjustment. The Corporation shall also at such time give written notice to the holders of Series A Preferred Shares of the Minimum Conversion Price following such adjustment.

3. Notice of Conversion

The conversion right herein provided for may be exercised by notice in writing given to the Chief Financial Officer of the Corporation at its principal place of business, accompanied by the certificate or certificates representing the Series A Preferred Shares in respect of which the holder thereof is entitled and desires to exercise such right of conversion (with the transfer panel on such certificate or certificates duly endorsed in blank or, in the alternative, with a duly completed stock transfer power of attorney accompanying such certificate or certificates). Such notice (a

"Notice of Conversion") shall be substantially in the form of Schedule A hereto, shall be signed by such holder or his agent and shall set forth:

- (a) the number of Series A Preferred Shares to which the holder is entitled and desires to have converted, (which number shall be at least equal to five in each case);
- (b) the date proposed by the holder on which the conversion is to be effected (such date, subject as hereinafter in this section provided, being the "Date of Conversion"), which date shall be a Trading Date which falls at least 60 days and not more than 90 days after the date of sending of such notice and the certificates representing such Series A Preferred Shares; and
- (c) the unconditional undertaking of the holder, on the terms set forth in Schedule A hereto, to sell, subject to receipt of payment of the purchase price therefor, all or any part of such Series A Preferred Shares to one or more purchasers designated in a Designated Purchaser Notice given to such holder by the Corporation under section VI.4. hereof.

The signature of such holder on such Notice of Conversion and on such certificate or certificates shall be guaranteed by a Canadian chartered bank or member of a recognized Canadian stock exchange or in such other manner as may be satisfactory to the Corporation and such Notice of Conversion shall be accompanied by payment to the Corporation of any transfer tax which may be payable by reason thereof. Any such notice,

once given, may not thereafter be revoked by the holder. Upon the Corporation giving a Designated Purchaser Notice to such holder in accordance with section VI.4. or a Notice of Redemption in accordance with paragraph II.3.(b)(i), the Date of Conversion shall, notwithstanding the date specified in such Notice of Conversion, be 23 Trading Days next following the Designated Purchase Date or the Redemption Date, as the case may be, in respect of the Series A Preferred Shares forming the subject matter of such Designated Purchaser Notice or Notice of Redemption, as the case may be, if the Series A Preferred Shares that are the subject matter of such Designated Purchaser Notice or Notice of Redemption shall fail to be purchased on the applicable Designated Purchase Date or redeemed on the applicable Redemption Date.

4. Designated Purchaser Procedure

(a) The Corporation may, at any time after a Notice of Conversion shall have been given in respect of any Series A Preferred Shares, give notice in writing to the holder of such shares (a "Designated Purchaser Notice") identifying one or more purchasers who has agreed to purchase all or any part of such shares, provided that:

(i) if the Corporation has given a Notice of Redemption pursuant to paragraph II.3.(b)(i) in respect of part of the shares that are the subject matter of the Notice of Conversion unless the Designated Purchaser Notice relates to all of the shares that are the subject matter of the Notice of Conversion, the Designated Purchaser Notice shall specify the extent to which the Series A Pre-

ferred Shares referred to in the Designated Purchaser Notice are the subject matter of the Notice of Redemption; and

- (ii) the Corporation may not give a Designated Purchaser Notice later than 23 Business Days prior to the Date of Conversion specified in the Notice of Conversion except in respect of Series A Preferred Shares that are the subject matter of a Notice of Redemption given pursuant to paragraph II.3.(b)(i) above and a Designated Purchaser Notice in respect of Series A Preferred Shares that are the subject matter of such a Notice of Redemption may not be given later than the last Business Day prior to the Redemption Date specified in such Notice of Redemption.

A Designated Purchaser Notice shall be accompanied by an irrevocable undertaking, addressed to the relevant holder of the Series A Preferred Shares, of the purchasers identified in the relevant Designated Purchaser Notice to purchase from such holder the number of Series A Preferred Shares specified in the Designated Purchaser Notice at a price of \$1,000,000 per share on the Business Day next preceding the Date of Conversion (any such date being a "Designated Purchase Date"). For the purposes of completing a purchase referred to in a Designated Purchaser Notice, the purchaser or purchasers submitting the aforesaid undertaking shall deposit with the Corporation, at its principal place of business, on or prior to noon (Montreal time)

on the Designated Purchase Date, a certified cheque payable to the Corporation, as agent for the relevant holder of the Series A Preferred Shares, representing the aggregate purchase price for the Series A Preferred Shares to be purchased pursuant to this section VI.4. together with a direction as to registration particulars with respect to such Series A Preferred Shares to be purchased. Upon receipt of such cheque as aforesaid, the Corporation shall deliver to the relevant holder, at the address of the holder recorded in the securities register of the Corporation for the Series A Preferred Shares or at the address specified in the holder's Notice of Conversion, a certified cheque payable to such holder in payment of the purchase price for such Series A Preferred Shares (less any tax required to be deducted and withheld therefrom) and delivery of such cheque by the Corporation shall be deemed to be payment and shall satisfy and discharge all liability for such purchase price to the extent of the amount represented by such cheque (plus any tax required to be and in fact deducted and withheld therefrom and remitted to the proper tax authority), unless such cheque is not paid on due presentation. Upon delivery of such cheque to a holder of Series A Preferred Shares who has given a Notice of Conversion to the Corporation, such Notice of Conversion shall thereupon be ineffective and shall be deemed to be revoked as at the date such cheque is delivered to the extent of the number of Series A Preferred Shares purchased (unless such cheque is not paid on due presentation) and, for greater certainty, no conversion of

such number of Series A Preferred Shares shall take place on the Date of Conversion.

5. Conversion Procedure

As promptly as practicable after the Date of Conversion, to the extent the Corporation has not redeemed the Series A Preferred Shares forming the subject matter of the relevant Notice of Conversion and to the extent such shares have not been sold to one or more purchasers pursuant to a Designated Purchaser Notice in accordance with the provisions hereof, the Corporation shall issue or cause to be issued and deliver or cause to be delivered to the holder who has exercised the conversion right in respect of any Series A Preferred Shares, or on his written order, a certificate or certificates in the name or names of the person or persons specified in writing by such holder to the Corporation (or, in the absence of such specification, in the name of such holder) for the number of Class A Subordinate Voting Shares deliverable upon the conversion of such Series A Preferred Shares and provision shall be made in respect of any fraction of a Class A Subordinate Voting Shares as provided below. Such conversion shall be deemed to have been effected immediately prior to the Close of Business on the Date of Conversion and at such time the rights of the holder as a holder of Series A Preferred Shares shall cease and the person or persons in whose name or names any certificate or certificates for Class A Subordinate Voting Shares shall be deliverable upon such conversion shall be deemed to have thereupon become the holder or holders of record of the Class A Subordinate Voting Shares represented thereby; provided, however, that no exercise of the conversion right on any

date when the share transfer registers for Class A Subordinate Voting Shares shall be closed shall be effective to constitute the person or persons entitled to receive the Class A Subordinate Voting Shares upon such conversion as the holder or holders of record of such Class A Subordinate Voting Shares on such date, but such exercise shall be effective to constitute the person or persons entitled to receive such Class A Subordinate Voting Shares as the holder or holders of record thereof for all purposes at the Close of Business on the next succeeding day on which such share transfer registers are open. Upon surrender to the Corporation of any certificate representing more than the number of Series A Preferred Shares which are to be converted, the holder thereof shall be entitled to receive, without expense to such holder, one or more new certificates for the number of unconverted Series A Preferred Shares represented by the certificate surrendered.

6. Dividends on Conversion

The registered holder of any Series A Preferred Share on the record date for any dividend payable on such shares shall be entitled to such dividend notwithstanding that such shares shall have been converted into Class A Subordinate Voting Shares after such record date and before the payment date of such dividend, and the registered holder of a Class A Subordinate Voting Shares resulting from such conversion shall be entitled to rank equally per Class A Subordinate Voting Shares with the registered holders of all other Class A Subordinate Voting Shares in respect of all dividends payable to holders of Class A Subordinate Voting Shares of record on any date on or after the Date of Conversion. Subject

to the foregoing, upon conversion of any Series A Preferred Shares there shall be no adjustment by the Corporation or by any holder of Series A Preferred Shares on account of any dividend either on the Series A Preferred Shares so converted or on the Class A Subordinate Voting Shares resulting from such conversion.

7. Avoidance of Fractional Shares

The Corporation shall not issue fractional shares in satisfaction of the conversion rights herein provided for but in lieu thereof may, in respect of any fractional interest resulting in the exercise of conversion rights, pay a cash adjustment. The amount of any cash adjustments shall equal the Current Market Value of a Class A Subordinate Voting Share of such fractional interest. If a cash adjustment is to be paid pursuant to the provisions of this section VI.7., the mailing, of a cheque payable in the relevant amount in lawful money of Canada at par at any branch in Canada of the Corporation's bankers for the time being, to a holder of Series A Preferred Shares who has exercised his right to convert, shall be deemed to be payment of the cash adjustment resulting from such fractional interest unless the cheque is not paid on due presentation. Cash adjustments that are represented by a cheque which has not been presented to the Corporation's bankers for payment or that otherwise remain unclaimed for a period of six years from the date on which the same became payable shall be forfeited to the Corporation.

8. Treatment of Converted Shares

Series A Preferred Shares surrendered upon the exercise of the conversion privilege shall be cancelled by the Transfer Agent and Registrar and shall not be restored to the status of authorized but unissued Series A Preferred Shares.

Schedule A to the Provisions Attaching to the
Cumulative Redeemable Convertible
Auction Perpetual First Preferred Shares,
Series A of G.T.C. Transcontinental Group Ltd.

NOTICE OF CONVERSION

TO: G.T.C. Transcontinental Group Ltd.

This notice is given pursuant to Part VI of the provisions (the "Share Provisions") attaching to the Cumulative Redeemable Convertible Auction Perpetual First Preferred Shares, Series A ("Series A Preferred Shares") of G.T.C. Transcontinental Group Ltd. (the "Corporation") and all capitalized words and expressions used herein which are defined in the Share Provisions have the meanings ascribed to such words and expressions in such Share Provisions.

The undersigned, being the registered holder of E Series A Preferred Shares; hereby:

1. notifies the Corporation that the undersigned wishes to exercise conversion rights in accordance with Part VI of the Share Provisions in respect of [state number] Series A Preferred Shares;
2. notifies the Corporation that the Date of Conversion shall be E [to be determined in accordance with the requirements of section VI.3.(b) of the Share Provisions];

3. confirms that share certificates number E , E and E representing the Series A Preferred Shares in respect of which the undersigned is entitled and desires to exercise such right of conversion are enclosed herewith and the transfer panels on such certificates have been duly endorsed in blank [or, in the alternative, a duly completed stock transfer power of attorney accompanies such certificates], and the signatures thereon have been guaranteed in accordance with the requirements of section VI.3. of the Share Provisions;
4. acknowledges that all or (subject to the limitations in the Share Provisions) any part of the Series A Preferred Shares forming the subject matter of this Notice of Conversion may, at the option of the Corporation, be redeemed by the Corporation or may form the subject matter of a Designated Purchaser Notice, all subject to and in accordance with the Share Provisions;
5. undertakes to sell, to the purchaser or purchasers designated in any Designated Purchaser Notice given to the undersigned by the Corporation under section VI.4. of the Share Provisions, such number of Series A Preferred Shares as shall be specified in such Designated Purchaser Notice and the undersigned hereby authorizes the Corporation to take all such action as may be necessary to consummate such sale transaction as our agent and on our behalf, all in accordance with the Share Provisions;
6. directs that any Class A Subordinate Voting Shares to be issued upon conversion of any Series A Preferred Shares forming the subject matter of this Notice of Conversion shall be registered as follows: E [in the absence of

instructions to the contrary, such shares shall be registered in the name of the undersigned]; and

7. directs that any cheque(s) payable in respect of Series A Preferred Shares forming the subject matter hereof that are purchased by a purchaser or purchasers designated in any Designated Purchaser Notice be made payable to, or to the order of E, and be delivered to E at E.

DATED this E day of E, E.

[NAME OF HOLDER]

by: _____
Authorized Officer

by: _____
Authorized Officer