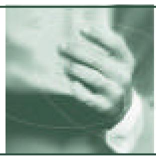
Newsletter



Corporate Finance and Securities

May 2005

Quebec Stock Savings Plan Reborn

Under the Quebec Stock Savings Plan ("QSSP") which was first introduced in 1979, Quebec businesses could issue shares to Quebec residents which would generate a deduction which they could use against their Quebec taxable income. In 2003, the Quebec provincial government had announced a moratorium while it studied the future of the plan. In the April 2005 Budget, the Quebec government has proposed to bring back a retooled stock savings plan which will now be known as the SME growth stock plan (the "Plan").

Quebec-based corporations with total assets of $100,000,000 or less will be able to issue voting common shares which will be eligible for the Plan. Quebec taxpayers who subscribe to such shares will be able to deduct 100% of the cost of the shares in the computation of their Quebec taxable income. The Plan is essentially the same as the previous QSSP, with certain important changes. For example, only voting common shares will be eligible, convertible debentures will no longer be eligible.

The Plan is targeted to smaller corporations. Under the QSSP, corporations had to have assets of at least $2,000,000 and of no more than $350,000,000. Under the Plan, the maximum is reduced to $100,000,000 and there is now no minimum, so that the Plan can be used by start-up businesses. The shares have to be traded on a public stock exchange, but the shares can be issued in a private placement. Eligible corporations must have their head office in Quebec, have at least 5 employees and at least 50% of the salaries paid must be paid to Quebec-based employees.

The holding requirement for eligible shares will be increased from 2 to 3 years. In addition, the holding requirement is now semi-permanent. Under the QSSP, the shares were only required to be held on December 31st of the year of issue and of the next two years. Now eligible shares will have to be held throughout the three-year period. If a holder disposes of shares, he will be required to replace them within 21 days with equivalent approved stock.

A Capital Pool Company trading on the TSX Venture Exchange may also qualify for inclusion in the Plan if it undertakes to acquire a target company that would otherwise qualify for the Plan within a reasonable amount of time. All eligible issues under the Plan will be required to obtain a favourable tax ruling from the Minister of Revenue of Quebec. Investment funds, which were allowed under the QSSP, will also be allowed under the Plan. The Minister of Finance has stated that the rules will be similar without providing further details.

The Plan has come into effect as of April 22, 2005. The Minister of Finance has stated that it will end on December 31, 2009. However, based on past experience, it is expected that this date will be extended if the new plan is a success.

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