

STATISTICAL NOTES AND DEFINITIONS

Coverage and Research

Corporations included in this report are principally those that are required to file a schedule of ownership information under the Corporations Returns Act. The Act, as amended January 1, 1999, applies to every corporation that carries on business in Canada or that is incorporated under a law of Canada or a province, whose gross revenue for the reporting period exceeded \$15 million, or whose assets exceeded \$10 million. In calculating these amounts, each corporation must include the assets and sales of its affiliates as defined in the Act. In addition, corporations with assets and sales under these amounts but having long-term debt or equity owing directly or indirectly to non-residents exceeding a book value of \$200,000 must also provide ownership information.

International financial and ownership publications have been researched to obtain true beneficial owners rather than nominees. In addition, the data derived solely from the Corporations Returns Act returns has occasionally proved insufficient to bring related corporations in Canada together into one enterprise, because corporations are only required to report their first foreign parent. In many of these cases, the first foreign parent was traced back to an ultimate parent corporation. Sometimes this was one or two countries removed from the one reported. This research has resulted in a more accurate assignment of country of control to the enterprises and provided a better overview of multi-national enterprises.

Under the Act, corporations are not required to report the names of individuals owning shares or the names of corporations holding less than 10% of any share class. In a select number of cases, where such ownership was significant, revealed a larger enterprise structure, or determined the control of a corporation, data on personal share holdings, or corporate holdings of less than 10%, was obtained and integrated with inter-corporate ownership information.

Corporate Control

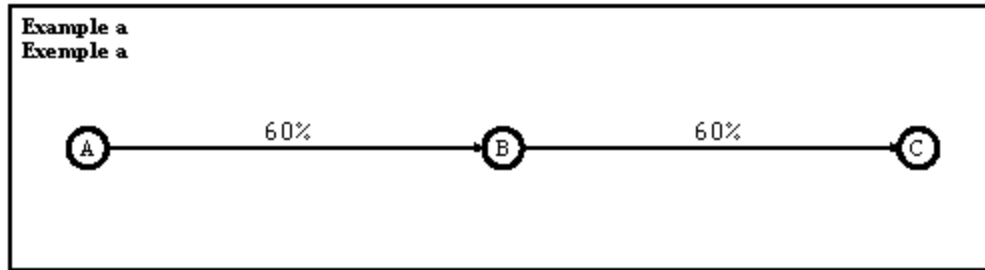
Corporate control is the potential to affect the corporate strategic decision-making process of the board of directors of a corporation.

Direct control is exercised by a person, group or corporation if more than 50% of the voting equity of a corporation is held, directly or indirectly, other than by way of security only, by or for the benefit of that person, group or corporation.

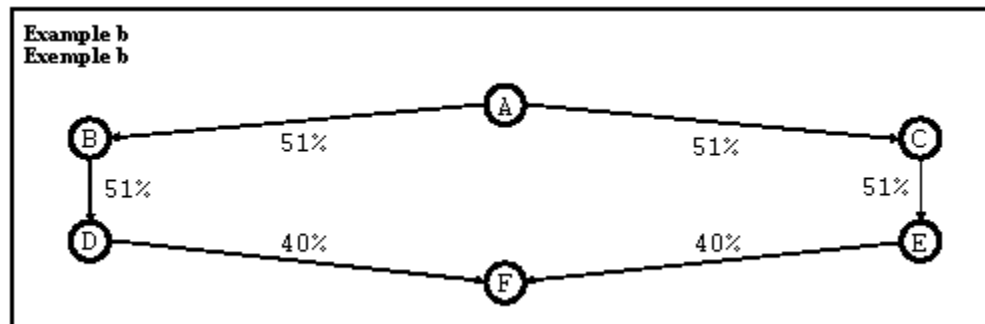
In the case of irrevocable options or the right to acquire shares, the calculation of the voting equity is made as if all options have been exercised. In these cases, direct control is assigned and is denoted in the text by the letter "A" appearing in the comments column.

The following examples illustrate the concept of control of a corporation based on the majority ownership of its voting rights. Each lettered circle represents a corporation and an arrow indicates its ownership by another corporation.

In example a), corporation A owns 60% of corporation B's voting rights, and so A controls B. Similarly, corporation B controls C, and hence A controls C. The control of B by A is direct control. The control of C by A is indirect control.



In example b), A controls all other corporations. From the logic of the previous example, A controls B and C directly and D and E indirectly. As the sum of the voting rights of F by D and E is 80%, A controls F. This is cumulative indirect control.



Effective control of a corporation implies control of the corporation through methods other than ownership of the majority voting equity of the corporation. Effective control is referred to as assigned control in the Inter-Corporate Ownership database and publication. Such control is denoted in the text by the letter 'A' appearing in the comments column. An assessment of effective control may be based on any of the following rules:

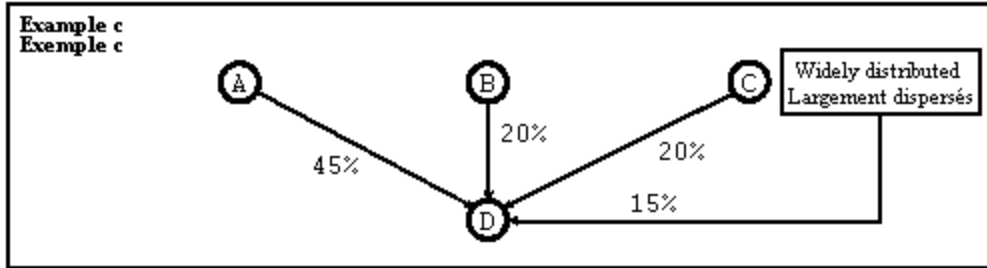
If more than 50% of directors of a corporation are also directors of a trust or an estate, or are also members of a related group, then the corporation is effectively controlled by that trust, estate or related group.

If more than 50% of the directors of a corporation are also directors of another corporation, and if there is a significant voting ownership relationship between these corporations, then the corporation is effectively controlled by that other corporation.

If a corporation holds voting equity in another corporation which exceeds 33%, and if that block of equity is larger than the combined percentage of the next two largest blocks, then the corporation is effectively controlled by that corporation.

If control is acknowledged by a corporation, then the acknowledgement is sufficient to assign effective control.

The following example illustrates the concept of effective control based on a corporation owning over 33% of the voting equity of a corporation, and this holding is greater than the combined percentage of the next two largest holdings.



A has been assigned control of corporation D since it owns the largest block of voting equity which is greater than the combined percentage holding of B and C.

Please note that there are numerous methods of control which are generally outside the scope of this publication. Franchise, marketing arrangements, and sales contracts may be used to exercise effective control.

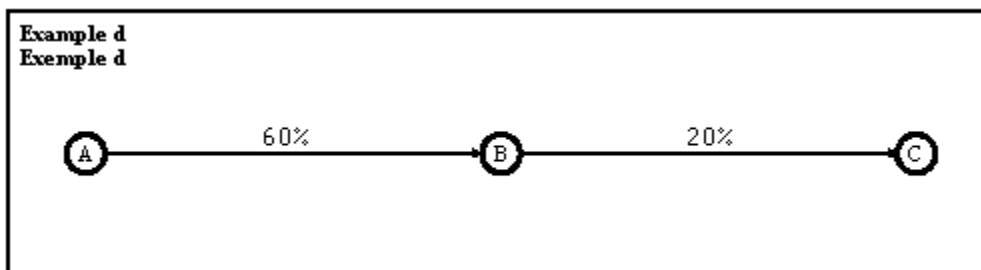
Finally, care should be taken in using the word “controlled”. In many cases where control is said to exist, corporations may still function with considerable autonomy in their financial, marketing, or operational activities. The concept of corporate control should be viewed as a potential that exists and is exercised within the framework of a corporate industrial society with highly varied management practices.

Enterprise

An enterprise is a group of corporations under common control. The controlling interest, referred to as the enterprise head, may be an individual, a related group, a corporation or a government. Controlled corporations are called subsidiaries. A multi-corporation enterprise contains one or more subsidiaries. A corporation that is not controlled by another corporation and that does not control another corporation is called a single-corporation enterprise.

The following examples illustrate these concepts.

In example d), A and B form a multi-corporation enterprise with enterprise head A. C is not controlled by A, and is therefore a single-corporation enterprise.



For each enterprise in the Corporate Ownership Section, all ownership emanating from that enterprise is shown including investments in other enterprises. Referring back to the preceding example, the enterprise parent would be shown as level “01”, the 60% link to corporation B would be shown as level “02”, and the 20% link to C would be shown as level “03” with a comment of “D” (unless control of C by A had been assigned for reasons other than voting rights, in which case the comment would be “A”).

Country of Control

Each corporation included in the Inter-Corporate Ownership publication is assigned a country of control. This is the basis for the analysis of the extent and impact of foreign control within the Canadian economy, as contained in the Corporations Returns Act, Annual Report to Parliament, catalogue 61-220XPB.

Generally, a corporation is considered to be foreign-controlled if a majority of its voting rights are held in foreign countries, or are held by one or more Canadian corporations that are themselves foreign-controlled. In the case of a multi-corporation enterprise, it is the enterprise head or parent that is considered first and each subsidiary within the enterprise is assigned the same country of control as its enterprise parent (see example e). If the enterprise head is a Canadian-resident corporation, the country of control is ascribed to that country in which the majority of the voting rights are held by both individuals and corporations. In those cases where the holdings of over 50% of the voting rights are distributed among non-associated shareholders in two or more foreign countries, foreign-control is assigned to that foreign country with the largest block of voting equity. If the largest blocks are equal then the country of control is assigned using the order of precedence listed in Appendix A (see example i). A parent corporation whose voting rights are owned equally by a Canadian-controlled and a foreign-controlled corporation is given a foreign control code (see example g). If two foreign-controlled corporations own the largest and equal amounts of equity which is equal to or greater than 50% of the voting rights of the Canadian corporation, the country of control is assigned using the precedence listed in Appendix A (see example h). Note that a country of control designation of "foreign unspecified" is reserved for tax haven countries listed in Appendix B.

Strict adherence to these conventions can lead to a company's reclassification as a result of relatively minor stock transactions when the non-resident ownership of the outstanding voting rights of the company is close to 50%. In order to avoid such swings, the country of control of an enterprise head is changed only when changes in ownership of the voting equity of the enterprise head are substantial or appear to alter the potential or effective control over the management of the company.

In most cases of foreign control, the country of control classification is based on tracing ownership links to the first parent corporation which is a resident of a foreign country. However, it is at times possible to determine that the first foreign parent itself, is in fact controlled by another foreign corporation which may reside in a different foreign country. In such instances control is assigned to the country of control of the ultimate parent.

The following examples illustrate the assignment of a country of control for a corporation. Each lettered circle represents a corporation and an arrow indicates its ownership by another corporation or individuals.

e.g.) A → B indicates that corporation A owns 60% of corporation B's voting rights.

In example e), all corporations are assigned a United States control code.

In example f), corporation E and G are assigned Canadian control. All other corporations are assigned United Kingdom control.

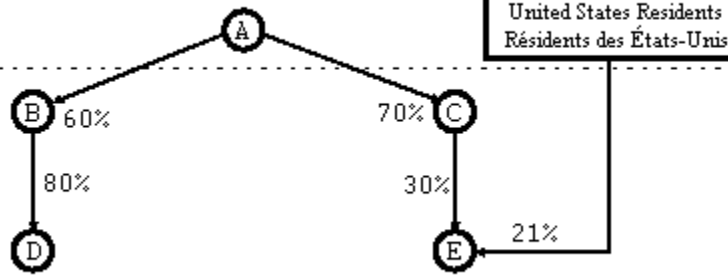
In example g), corporation B is assigned Japanese control.

In example h), corporation C is assigned United States control.

In example i), corporation B is assigned German control.

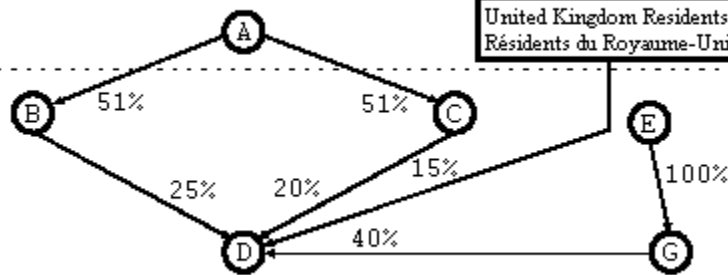
Example e
Exemple e

United States
États-Unis
Canada



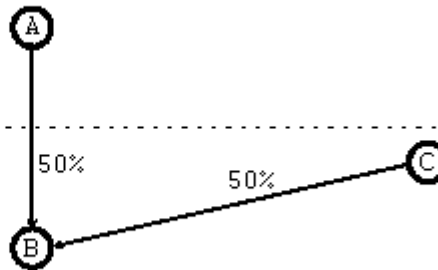
Example f
Exemple f

United Kingdom
Royaume-Uni
Canada

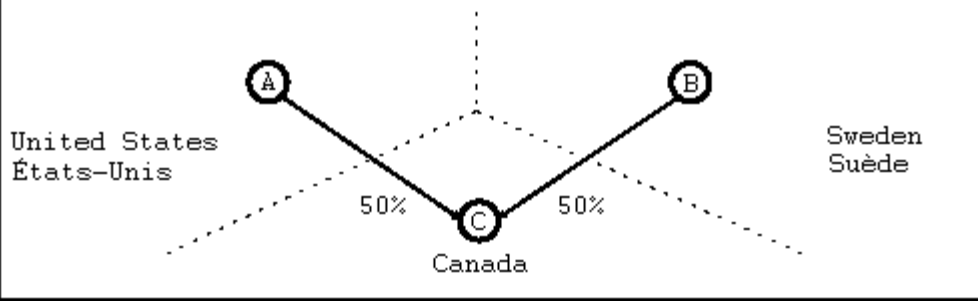


Example g
Exemple g

Japan
Japon
Canada



Example h
Exemple h



Example i
Exemple i

