

FAIRFAX FINANCIAL HOLDINGS LTD/ CAN

Form F-10/A

August 11, 2003

As filed with the Securities and Exchange Commission on August 11, 2003.

Registration No. 333-107361

US SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1 TO
FORM F-10
REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933

FAIRFAX FINANCIAL HOLDINGS LIMITED

(Exact name of Registrant as specified in its charter)

Canada

(Province or other jurisdiction
of incorporation or organization)

6331

(Primary Standard Industrial Classification
Code Number)

Not Applicable

(I.R.S. Employer Identification Number)

95 Wellington Street West, Suite 800, Toronto, Ontario, Canada M5J 2N7 (416) 367-4941

(Address and telephone number of Registrant's principal executive offices)

CT CORPORATION SYSTEM

**111 Eighth Avenue, 13th Floor, New York, NY 10011
(212) 894-8700**

(Name, address and telephone number of agent for service in the United States)

Copies to:

Brice T. Voran
Shearman & Sterling LLP
Commerce Court West
199 Bay Street, Suite 4405
Toronto, Ontario, Canada M5L 1E8
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Eric P. Salsberg
Vice President, Corporate Affairs
Fairfax Financial Holdings Limited
95 Wellington Street West, Suite 800
Toronto, Ontario, Canada M5J 2N7
Telephone (416) 367-4941

Approximate date of commencement of proposed sale of the securities to the public:

As soon as practicable after this Registration Statement becomes effective.

Province of Ontario, Canada

(Principal jurisdiction regulating this offering)

It is proposed that this filing shall become effective (check appropriate box):

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- A. o Upon filing with the Commission, pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).
- B. x At some future date (check the appropriate box below):
1. o pursuant to Rule 467(b) on () at () (designate a time not sooner than 7 calendar days after filing).
 2. o pursuant to Rule 467(b) on () at () (designate a time 7 calendar days or sooner after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on ().
 3. x pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.
 4. o after the filing of the next amendment to this Form (if preliminary material is being filed).

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction's shelf prospectus offering procedures, check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registration statement shall become effective as provided in Rule 467 under the Securities Act of 1933 or on such date as the Commission, acting pursuant to Section 8(a) of the Act, may determine.

PART I

INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

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No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

BASE SHELF PROSPECTUS

Fairfax Financial Holdings Limited
US\$200,000,000 Aggregate Principal Amount of
5% Convertible Senior Debentures Due 2023
Subordinate Voting Shares

This prospectus may be used by selling securityholders in connection with resales in the United States of up to US\$200,000,000 aggregate principal amount of 5% Convertible Senior Debentures due 2023 and the subordinate voting shares issuable upon the conversion, redemption, purchase or maturity thereof.

The debentures and the subordinate voting shares issuable upon conversion, redemption, purchase or maturity thereof may be offered in negotiated transactions or otherwise, at varying prices determined at the time of the sale or at negotiated prices. In addition, the subordinate voting shares may be offered from time to time through ordinary brokerage transactions on the New York Stock Exchange. See Plan of Distribution. The debentures and the subordinate voting shares issuable upon conversion, redemption, purchase or maturity thereof are not being offered for sale in Canada or to any resident of Canada and may not be offered or sold, directly or indirectly, in Canada, or to or for the account of any resident of Canada. This prospectus has not been filed in respect of, and will not qualify, any distribution of debentures or subordinate voting shares in Ontario or any other province or territory of Canada.

We will not receive any of the proceeds from the resale of the debentures or the subordinate voting shares issuable upon conversion, redemption, purchase or maturity thereof by any of the selling securityholders.

The debentures are currently eligible for trading in the Private Offerings, Resales and Trading through Automated Linkages (PORTAL) system of the National Association of Securities Dealers, Inc.

Our subordinate voting shares are traded on the New York Stock Exchange and the Toronto Stock Exchange under the symbol FFH. On August 8, 2003 the last reported sale price of our subordinate voting shares on the New York Stock Exchange and the Toronto Stock Exchange was US\$157.05 and \$220.00, respectively.

Investing in the debentures and the subordinate voting shares issuable upon their conversion involves risks.

See the Risk Factors section beginning on page 2.

Under the multijurisdictional disclosure system adopted by the U.S. Securities and Exchange Commission, we are permitted to prepare this prospectus in accordance with Canadian disclosure requirements, which are different from those of the United States. We prepare our financial statements in accordance with Canadian generally accepted accounting principles, and are subject to Canadian auditing and auditor independence standards. They may be not be comparable to financial statements of United States companies.

Owning debentures or subordinate voting shares may subject you to tax consequences both in the United States and Canada. This prospectus may not describe these tax consequences fully. You should read the tax discussion under Certain Income Tax Considerations.

Your ability to enforce civil liabilities under the United States federal securities laws may be affected adversely because we are incorporated in Canada, our officers and directors and the experts named in this prospectus are Canadian residents, and many of our assets are located outside the United States.

No underwriter has been involved in the preparation of this prospectus or performed any review of the contents of this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATOR HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is August 11, 2003.

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You should rely only on the information contained in or incorporated by reference into this prospectus. References to this prospectus include documents incorporated by reference therein. See Where You Can Find More Information About Fairfax. The information in or incorporated by reference into this prospectus is current only as of its date. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Unless the context otherwise requires, the terms Fairfax, we, us and our refer to Fairfax Financial Holdings Limited and its subsidiaries.

WHERE YOU CAN FIND MORE INFORMATION ABOUT FAIRFAX

The following documents, filed with the Ontario Securities Commission (OSC) under the Securities Act (Ontario) are specifically incorporated by reference into and form an integral part of this prospectus:

- (a) our Renewal Annual Information Form for the year ended December 31, 2002, dated May 15, 2003;
- (b) our comparative consolidated financial statements and the notes thereto as at and for the years ended December 31, 2001 and 2002, together with the auditors' report thereon;
- (c) our Management's Discussion and Analysis for the year ended December 31, 2002 contained in our 2002 Annual Report;
- (d) our comparative unaudited financial statements for the six-month period ended June 30, 2003;
- (e) our interim Management's Discussion and Analysis for the six-month period ended June 30, 2003;
- (f) our Material Change Reports dated April 17, 2003 and May 22, 2003, both relating to the initial public offering by Northbridge Financial Corporation, and July 9, 2003, relating to the issuance and sale of the debentures; and
- (g) Management's Information Circular dated March 3, 2003 sent in connection with the annual meeting of shareholders held on April 14, 2003, other than the sections entitled "Executive Compensation," "Performance Graph" and "Statement of Corporate Governance Practices."

Any document of the type referred to in the preceding paragraphs and any material change reports (excluding confidential material change reports), subsequently filed by us with the OSC after the date of this prospectus and prior to the termination of the distribution of the debentures and subordinate voting shares issuable upon conversion, redemption, purchase or maturity thereof under this prospectus shall be deemed to be incorporated by reference in this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this prospectus, to the extent that a statement contained herein, or any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supercedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Upon a new annual information form and new annual comparative consolidated financial statements being filed by us with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this prospectus, the previous annual information form, the previous annual comparative consolidated financial statements and the accompanying management's discussion and analysis, all interim consolidated financial statements and the accompanying management's discussion and analysis, information circulars and material change reports filed prior to the commencement of our then current fiscal year in which our new annual information form is filed, will be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of the securities under this prospectus. Upon interim consolidated financial statements and the accompanying management's discussion and analysis being filed by us with the applicable securities regulatory authorities during the currency of this prospectus, all interim consolidated financial statements and the accompanying management's

discussion and analysis filed prior to the new interim consolidated financial statements will be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of securities under this prospectus.

Information has been incorporated in this prospectus from documents filed with the OSC. Copies of documents incorporated herein by reference may be obtained on request without charge from Bradley P. Martin, Vice President and Corporate Secretary, at Suite 800, 95 Wellington Street West, Toronto, Ontario, M5J 2N7. Copies of documents that we have filed with the OSC may be obtained over the internet at the Canadian Securities Administrators' website at www.sedar.com.

We are subject to the informational requirements of the Securities Exchange Act of 1934, and in accordance therewith file or furnish reports and other information with or to the Securities and Exchange Commission (SEC). Our recent SEC filings may be obtained over the internet at the SEC's website at www.sec.gov. You may also read and copy any document we file or furnish with or to the SEC at the public reference facilities maintained by the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Please call 1-800-SEC-0330 for further information on the operations of the public reference facilities and copying charges. Copies of reports and other information concerning Fairfax may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

LIST OF DOCUMENTS FILED WITH THE SEC

The following documents have been filed with the SEC as part of the Registration Statement of which this short form prospectus forms a part: the documents referred to under the heading "Where You Can Find More Information About Fairfax"; consents of the independent auditors, independent actuary, and Torsys LLP; powers of attorney; the indenture; and the Statement of Eligibility of the Trustee on Form T-1.

PRESENTATION OF OUR FINANCIAL INFORMATION

We present our consolidated financial statements in Canadian dollars. In this prospectus and the documents incorporated by reference herein, except where otherwise indicated, all dollar amounts are expressed in Canadian dollars, references to "\$" and "Cdn\$" are to Canadian dollars and references to "US\$" are to United States dollars.

We currently expect that by the end of 2003 we will begin reporting our financial results in United States dollars. We will restate our historical financial statements based on currency exchange rates in effect during the periods being restated.

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada, or Canadian GAAP. To the extent applicable to our consolidated financial statements, these principles conform in all material respects with generally accepted accounting principles in the United States, or U.S. GAAP, except as described in note 18 to our audited consolidated financial statements and note 6 to our unaudited interim financial statements incorporated by reference into this prospectus.

EXCHANGE RATE DATA

The following table sets forth, for each period indicated, the low and high exchange rates for Canadian dollars expressed in United States dollars, the exchange rate at the end of such period and the average of such exchange rates on the last day of each month during such period, based on the inverse of the noon buying rate in The City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York:

	Year Ended December 31,				
	1998	1999	2000	2001	2002
Low	0.6341	0.6535	0.6410	0.6241	0.6200
High	0.7105	0.6925	0.6969	0.6697	0.6619
Period End	0.6504	0.6925	0.6669	0.6279	0.6329
Average	0.6710	0.6744	0.6732	0.6457	0.6369

On August 8, 2003, the inverse of the noon buying rate was US\$0.7176 = Cdn\$1.00.

FORWARD-LOOKING STATEMENTS

Any statements made by us or on our behalf may include forward-looking statements that reflect our current views with respect to future events and financial performance. These forward-looking statements relate to, among other things, our plans and objectives for future operations and underwriting profits. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors, which we describe in more detail elsewhere in this prospectus, or in documents incorporated by reference herein, include, but are not limited to:

a reduction in net income if our loss reserves are insufficient;

underwriting losses on the risks we insure that are higher or lower than expected;

insufficient reserves for asbestos, environmental and other latent claims;

the lowering or loss of one of our subsidiaries' financial or claims-paying ability ratings;

an inability to realize our investment objectives;

changes in economic conditions, including interest rates and the securities markets, which could affect our investment portfolio;

exposure to credit risk in the event our reinsurers fail to make payments to us under our reinsurance arrangements;

exposure to credit risk in the event our insureds fail to pay premiums that are owed to us or fail to reimburse us for deductibles that are paid by us on their behalf;

the occurrence of catastrophic events with a frequency or severity exceeding our estimates;

a decrease in the level of demand for our subsidiaries' reinsurance or insurance products, or increased competition in the insurance industry;

the cycle of the insurance market, which can determine our and our competitors' premium rates and capacity to write new business;

our inability to obtain reinsurance coverage at reasonable prices or on terms that adequately protect us;

the timing of loss payments being faster or the receipt of reinsurance recoverables being slower than anticipated by us;

our dependence on independent brokers over whom we exercise little control;

adverse fluctuations in foreign currency exchange rates;

our failure to realize future income tax assets;

loss of key employees;

the influence exercisable by our controlling shareholder;

the passage of legislation subjecting our businesses to additional supervision or regulation, including additional tax regulation, in the United States, Canada or other jurisdictions in which we operate;

our inability to obtain required levels of capital;

the failure of any of the loss limitation methods we employ;

an impairment in the value of our goodwill;

our inability to access our subsidiaries' cash; and

risks associated with implementing our business strategies.

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The words believe, anticipate, project, expect, plan, predict, estimate, intend, will likely result, will seek to or will continue to use, and similar expressions identify forward-looking statements. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of their dates. We have described some important factors that could cause our actual results to differ materially from our expectations in, or incorporated by reference into, this prospectus, including factors discussed below in the section titled Risk Factors. In making these statements, we disclaim any intention or obligation to address or update any factor in future filings or communications regarding our business or results, and we do not undertake to address how any of these factors may have caused changes to discussions or information contained in previous filings or communications.

ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

We are a corporation organized under the laws of Canada and some of our assets are located in, and all of our directors and officers are residents of, Canada. As a result, it may be difficult for United States investors to effect service of process within the United States upon our directors or officers, or to realize in the United States upon judgments of courts of the United States predicated upon civil liability of such directors or officers under U.S. federal securities laws. We have been advised by Torys LLP, our Canadian counsel, that a judgment of a U.S. court predicated solely upon civil liability under such laws would probably be enforceable in Canada if the U.S. court in which the judgment was obtained had a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. We have also been advised by such counsel, however, that there is substantial doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

Fairfax Financial Holdings Limited

We are a financial services holding company primarily engaged in property and casualty insurance and reinsurance. We are incorporated under the Canada Business Corporations Act. We operate through a decentralized operating structure, with autonomous management teams applying a focused underwriting strategy to our markets. We seek to differentiate ourselves by combining disciplined underwriting with the investment of our assets on a total return basis, which we believe provides above-average returns over the long term. We provide a full range of property and casualty products, maintaining a diversified portfolio of risks across classes of business, geographic regions, and types of insureds. The United States is our largest market, accounting for 72.4% of net premiums earned for the year ended December 31, 2002, while Canadian and international markets accounted for 14.6% and 12.9% of net premiums earned, respectively.

Our reinsurance business is conducted through Odyssey Re Holdings Corp., a U.S.-based underwriter of a full range of property and casualty reinsurance on a worldwide basis. We have an 80.6% interest in Odyssey Re, whose common stock is traded on the New York Stock Exchange under the symbol ORH. Our U.S. insurance business, conducted principally through Crum & Forster Holdings Corp., a national carrier which targets specialty classes of business that emphasize strong technical underwriting expertise, provides a full range of commercial property and casualty insurance. We own all of the equity of Crum & Forster. Our Canadian insurance business is conducted principally through Northbridge Financial Corporation, which provides commercial and personal lines property and casualty insurance in Canada through a wide range of distribution channels. We have a 71.0% interest in Northbridge, whose common shares are traded on the Toronto Stock Exchange under the symbol NB. Our runoff segment primarily includes our discontinued business that did not meet our underwriting criteria or strategic objectives and selected business previously written by our other subsidiaries that was put under dedicated runoff management. In addition, our runoff segment also includes third-party runoff operations that we have acquired, which we believe will provide us with the opportunity to earn attractive returns on our invested capital.

Our principal executive offices are located at 95 Wellington Street West, Suite 800, Toronto, Ontario, M5J 2N7, Canada. Our telephone number is (416) 367-4941.

You should read the Risk Factors section, beginning on page 2 of this prospectus, to understand the risks associated with an investment in the debentures.

RISK FACTORS

An investment in the debentures and our subordinate voting shares involves risk. You should carefully consider the following risk factors, as well as the other information contained in and incorporated by reference into this prospectus, before deciding whether to invest in the debentures and our subordinate voting shares. Any of the following risks could materially adversely affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business operations.

Overview

We operate with a holding company structure. The holding company controls our operating insurance and reinsurance companies that must comply with applicable insurance regulations of the jurisdictions in which they operate. Each company must maintain reserves for losses and loss adjustment expenses to cover the risks it has underwritten and the reserves of one of our insurance or reinsurance companies are not available to be applied against the risks underwritten by other of our companies. The financial condition and results of operations of each of the insurance and reinsurance companies we control are included in our consolidated financial statements and, generally, losses incurred by any of our companies flow directly to our consolidated results. Although a severe loss incurred by one company should not have any adverse effect on any of our other companies, such loss, even though not material to us when our financial condition is viewed as a whole, could have an adverse effect on us because it could affect adversely how our other companies may be treated by others such as rating agencies and insurance regulators.

Risks Related to Our Business

Our actual claims may exceed our claim reserves causing us to incur losses we did not anticipate.

We maintain reserves to cover our estimated ultimate unpaid liability for losses and loss adjustment expenses with respect to reported and unreported claims incurred as of the end of each accounting period. Our success is dependent upon our ability to accurately assess the risks associated with the businesses that we reinsure or insure. If we fail to accurately assess the risks we assume, we may fail to establish appropriate premium rates and our reserves may be inadequate to cover our losses, which could have a material adverse effect on our financial condition or reduce our net income.

At December 31, 2002, we had net unpaid loss and loss adjustment expense reserves of approximately \$11.0 billion. We incurred losses and loss adjustment expenses of \$4.6, \$4.2 and \$3.7 billion for the years ended December 31, 2002, 2001 and 2000, respectively.

Reserves do not represent an exact calculation of liability, but instead represent estimates involving actuarial and statistical projections at a given point in time of our expectations of the ultimate settlement and administration costs of claims incurred. We utilize both proprietary and commercially available actuarial models, as well as historical insurance industry loss development patterns, to assist in the establishment of appropriate claim reserves. In contrast to casualty losses, which frequently can be determined only through lengthy and unpredictable litigation, non-casualty property losses tend to be reported promptly and usually are settled within a shorter period of time. Nevertheless, for both casualty and property losses, actual claims and claim expenses paid may deviate, perhaps substantially, from the reserve estimates reflected in our financial statements. Variables in the reserve estimation process can be affected by both internal and external events, such as changes in claims handling procedures, economic inflation, legal trends and legislative changes. Many of these items are not directly quantifiable, particularly on a prospective basis.

If our claim reserves are determined to be inadequate, we will be required to increase claim reserves with a corresponding reduction in our net income in the period in which the deficiency is rectified. It is possible that claims in respect of events that have occurred could exceed our claim reserves and have a material adverse effect on our results of operations in a particular period or our financial condition.

Even though most insurance contracts have policy limits, the nature of property and casualty insurance and reinsurance is such that losses can exceed policy limits for a variety of reasons and could very significantly exceed the premiums received on the underlying policies. When this occurs, our financial results are adversely affected.

Our business could be harmed because our potential exposure for asbestos, environmental and other latent claims and related litigation is very difficult to predict.

We have established loss reserves for asbestos and environmental and other latent claims. There is a high degree of uncertainty with respect to future exposure from such claims because of significant issues surrounding the liabilities of the insurers; risks inherent in major litigation, including more aggressive environmental and asbestos-related litigation against insurers, including us; and diverging legal interpretations and judgments in different jurisdictions. These uncertainties include, among other things:

the extent of coverage under insurance policies;

whether or not particular claims are subject to an aggregate limit;

the number of occurrences involved in particular claims; and

new theories of insured and insurer liability.

In addition, insurers generally, including us, are experiencing an increase in the number of asbestos-related claims due to, among other things, more intensive advertising by lawyers seeking asbestos claimants, the increasing focus by plaintiffs on new and previously peripheral defendants and an increase in the number of entities seeking bankruptcy protection as a result of asbestos-related liabilities. In addition to contributing to the increase in claims, such bankruptcy proceedings may have the effect of significantly accelerating and increasing loss payments by insurers, including us.

Increasingly, policyholders have been asserting that their claims for asbestos-related insurance are not subject to aggregate limits on coverage and that each individual bodily injury claim should be treated as a separate occurrence under the policy. We expect this trend to continue. Although it is difficult to predict whether these policyholders will be successful on both issues, to the extent either issue is resolved in their favor, our coverage obligations under the policies at issue would be materially increased and bounded only by the applicable per occurrence limits and the number of asbestos bodily injury claims against the policyholders. Accordingly, it is difficult to predict the ultimate size of the claims for coverage not subject to aggregate limits.

In addition, proceedings have recently been launched directly against insurers, including us, challenging insurers' conduct in respect of asbestos claims, including in some cases with respect to previous settlements. Some plaintiffs have also advanced claims against us as defendants in asbestos personal injury cases that are close to trial. We anticipate the filing of other direct actions against insurers, including us, in the future. Particularly in light of jurisdictional issues, it is difficult to predict the outcome of these proceedings, including whether the plaintiffs will be able to sustain these actions against insurers based on novel legal theories of liability.

Similarly, as a result of various regulatory efforts aimed at environmental remediation, the insurance industry continues to be involved in litigation involving policy coverage and liability issues with respect to environmental claims. In addition to regulatory pressures, the results of court decisions affecting the industry's coverage positions continue to be inconsistent and have expanded coverage beyond its original intent. Accordingly, the ultimate responsibility and liability for environmental remediation costs remain uncertain.

Given the factors described above, it is not presently possible to quantify the ultimate exposure or range of exposure represented by asbestos, environmental and other latent claims and related litigation. We have established reserves that represent our best estimate of ultimate claims and claim adjustment expenses based upon known facts and current law. Our gross asbestos reserves were US\$1,331.7 million at December 31, 2002 and our gross reserves for environmental and other latent claims were

US\$793.9 million. Our asbestos reserves, net of reinsurance but excluding excess of loss reinsurance and vendor indemnities, were US\$601.3 million at December 31, 2002 and our reserves for environmental and other latent claims, net of reinsurance but excluding excess of loss reinsurance and vendor indemnities, were US\$383.9 million. However, these claims and related litigation, particularly if current trends continue to accelerate, could result in liability exceeding these reserves by an amount that could be material to our operating results and financial condition in future periods.

If our insurance and reinsurance subsidiaries are unable to maintain favorable financial strength ratings, it may be more difficult for them to maintain or write new business.

Third-party rating agencies assess and rate the claims-paying ability of reinsurers and insurers based upon criteria established by the rating agencies. Periodically the rating agencies evaluate our insurance companies to confirm that they continue to meet the criteria of the ratings previously assigned to them. The claims-paying ability ratings assigned by rating agencies to reinsurance or insurance companies represent independent opinions of financial strength and ability to meet policyholder obligations, and are not directed toward the protection of investors. Ratings by rating agencies are not ratings of securities or recommendations to buy, hold or sell any security and are not applicable to the debentures.

A.M. Best has assigned an A rating to OdysseyRe, and an A- rating to each of Crum & Forster and Northbridge. Financial strength ratings are used by insurers and reinsurance and insurance intermediaries as an important means of assessing the financial strength and quality of insurers and reinsurers. Concerns about our liquidity have caused the agencies to place negative outlooks on our insurance subsidiaries, which could negatively impact their ability to write new business. A further downgrade in these ratings could lead to a significant reduction in the number of insurance policies our subsidiaries write.

If we are unable to realize our investment objectives, our financial results may be adversely affected.

Investment returns are an important part of our overall profitability and our operating results depend in part on the performance of our investment portfolio. Accordingly, fluctuations in the fixed income or equity markets could impair our profitability, financial condition or cash flows. For the year ended December 31, 2002 and the six months ended June 30, 2003, net realized capital gains accounted for approximately 52.9% and 74.1%, respectively, of our total investment income (including realized gains and losses).

In particular, the volatility of our claims submissions may force us to liquidate securities, which may cause us to incur capital losses. If we structure our investments improperly relative to our liabilities, we may be forced to liquidate investments prior to maturity at a significant loss to cover such liabilities. Realized and unrealized investment losses resulting from an other than temporary decline in value could significantly decrease our assets, thereby affecting our ability to conduct business.

The ability to achieve our investment objectives is affected by general economic conditions that are beyond our control. General economic conditions can adversely affect the markets for interest-rate-sensitive securities, including the extent and timing of investor participation in such markets, the level and volatility of interest rates and, consequently, the value of fixed income securities. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. General economic conditions, stock market conditions and many other factors can also adversely affect the equities markets and, consequently, the value of the equity securities we own. In addition, defaults by third parties who fail to pay or perform on their obligations could reduce our investment income and realized investment gains or result in investment losses. We may not be able to realize our investment objectives, which could reduce our net income significantly.

We bear credit risk with respect to our reinsurers and certain insureds, and if one or more of them fails to pay us, our financial results may be adversely affected.

Although reinsurance makes the assuming reinsurer liable to us to the extent of the risk ceded, we are not relieved of our primary liability to our insureds. As a result, we bear credit risk with respect to our reinsurers (including retrocessionaires), both with respect to receivables reflected on our balance sheet as well as to contingent liabilities with respect to reinsurance protection on future claims. We cannot assure you that our reinsurers will pay all reinsurance claims on a timely basis or at all. If reinsurers are unwilling or unable to pay us amounts due under reinsurance contracts, we will incur unexpected losses and our cash flow will be adversely affected.

We write certain insurance policies, such as large deductible policies (policies where the insured retains a specific amount of any potential loss), in which the insured must reimburse us for certain losses. Accordingly, we bear credit risk on these policies and cannot assure you that our insureds will pay us on a timely basis or at all. In the ordinary course of business we are sometimes unable to collect all amounts billed to insureds, generally due to disputes on audit of retrospectively rated policies and, in some cases, due to insureds having filed for bankruptcy protection. In addition, if an insured files for bankruptcy, we may be unable to recover on assets such insured may have pledged to us as collateral. We reserve for uncollectible amounts in the period the collection issues become known. The inability to collect amounts due to us reduces our net income and cash flow, and the ability of our insurance and reinsurance subsidiaries to pay dividends or make other distributions to us.

Unpredictable catastrophic events could reduce our net income.

Our insurance and reinsurance operations expose us to claims arising out of catastrophes. We have experienced, and will in the future experience, catastrophe losses which may materially reduce our profitability or harm our financial condition. Catastrophes can be caused by various events, including natural events such as hurricanes, windstorms, earthquakes, hailstorms, severe winter weather and fires, and unnatural events such as terrorist attacks and riots. The incidence and severity of catastrophes are inherently unpredictable. Catastrophe losses can vary widely and significantly exceed our recent historic results. During 2001, we recorded a charge of \$162.5 million representing the estimated loss for both reported and unreported claims incurred and related claim adjustment expenses, net of reinsurance recoverables and taxes, related to the terrorist attack on September 11, 2001. It is possible that both the frequency and severity of man-made catastrophic events will increase, adversely affecting our results of operations.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to small geographic areas; however, hurricanes, windstorms and earthquakes may produce significant damage in large, heavily populated areas, and most of our past natural catastrophe-related claims have resulted from severe storms. Catastrophes can cause losses in a variety of property and casualty lines. For example, the terrorist attacks on September 11, 2001 caused losses in several of our lines, including property and liability. Insurance companies are not permitted to reserve for a catastrophe until it has occurred. It is therefore possible that a catastrophic event or multiple catastrophic events could have a material adverse effect upon our net income and financial condition.

Claims resulting from natural or man-made catastrophic events could cause substantial volatility in our financial results for any fiscal quarter or year and could materially reduce our profitability or harm our financial condition. Our ability to write new business could also be affected. We believe that increases in the value and geographic concentration of insured property and the effects of inflation could increase the severity of claims from catastrophic events in the future. In addition, states have from time to time passed legislation that has the effect of limiting the ability of insurers to manage catastrophe risk, such as legislation prohibiting insurers from withdrawing from catastrophe-prone areas.

The cycles of the insurance and reinsurance industries may cause fluctuations in our results.

Historically, we have experienced fluctuations in operating results due to competition, frequency of occurrence or severity of catastrophic events, levels of capacity, general economic conditions and other factors. Demand for insurance and reinsurance is influenced significantly by underwriting results of primary insurers and prevailing general economic conditions.

The property casualty insurance business historically has been characterized by periods of intense price competition due to excess underwriting capacity, as well as periods when shortages of underwriting capacity have permitted attractive premium levels. We expect to continue to experience the effects of this cyclical nature, which, during down periods, could harm our financial condition, profitability or cash flows.

In the reinsurance industry, the supply of reinsurance is related to prevailing prices and levels of surplus capacity that, in turn, may fluctuate in response to changes in rates of return being realized. It is possible that premium rates or other terms and conditions of trade could vary in the future, that the present level of demand will not continue because the larger insurers created by the consolidation discussed below may require less reinsurance or that the present level of supply of reinsurance could increase as a result of capital provided by recent or future market entrants or by existing reinsurers. If any of these events transpire, our results of operations in our reinsurance business could be adversely affected.

We operate in a highly competitive environment which could make it more difficult for us to attract and retain business.

The property and casualty insurance industry and the reinsurance industry are both highly competitive, and we believe that they will remain highly competitive in the foreseeable future. Competition in our industry is based on many factors, including premiums charged and other terms and conditions offered, products and services provided, financial ratings assigned by independent rating agencies, speed of claims payment, reputation, selling effort, perceived financial strength and the experience of the insurer or reinsurer in the line of insurance or reinsurance to be written. We compete, and will continue to compete, with major U.S. and non-U.S. insurers and reinsurers, as well as certain underwriting syndicates, some of which have greater financial, marketing and management resources than we do, and there is no assurance that we will be able to successfully retain or attract business.

Following the terrorist attacks on September 11, 2001, a number of new insurers and reinsurers have been formed to compete in our industry, and a number of existing market participants have raised new capital which may enhance their ability to compete. In addition, we may not be aware of other companies that may be planning to enter our industry or existing participants that may be planning to raise additional capital. Moreover, Lloyd's of London, in contrast with prior practice, now allows its syndicates to accept capital from corporate investors, which may result in such syndicates becoming more competitive in our markets. In addition, we have recently seen the creation of alternative products from capital market participants that are intended to compete with insurance and reinsurance products. We are unable to predict the extent to which these initiatives may affect the demand for our products, our premium volume or the risks that may be available for us to consider underwriting. Such increased competition could cause us and certain of our competitors to charge lower premium rates and obtain less favorable policy terms, which could adversely affect our ability to generate revenue and grow our business. Further, our plans for our business units could be adversely impacted by the loss of business to competitors offering competitive insurance products at lower prices and this would have an adverse effect on our results of operations.

Many insurance industry participants are consolidating to enhance their market power. These entities may try to use their market power to negotiate price reductions for our products and services. If competitive pressures compel us to reduce our prices, our operating margins would decrease. As the insurance industry consolidates, competition for customers will become more intense and the importance of acquiring and properly servicing each customer will become greater. We could incur greater expenses relating to customer acquisition and retention, further reducing our operating margins. In addition, insurance companies that merge may be able to spread their risks across a larger capital base so that they require less reinsurance.

We may be unable to obtain reinsurance coverage at reasonable prices or on terms that adequately protect us.

We use reinsurance arrangements, including reinsurance agreements with reinsurers, referred to as retrocessionaires, to help manage our exposure to property and casualty risks. The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, which can affect our business volume and profitability. Many reinsurance companies have begun to exclude certain coverages from, or alter terms in, the policies that we purchase from them. Some exclusions are with respect to risks which we cannot exclude in policies we write due to business or regulatory constraints, such as coverage with respect to acts of terrorism, mold and cyber risk. In addition, reinsurers are imposing terms, such as lower per occurrence and aggregate limits, on primary insurers that are inconsistent with corresponding terms in the policies written by these primary insurers. As a result, our insurance subsidiaries, like other primary insurance companies, increasingly are writing insurance policies which to some extent do not have the benefit of reinsurance protection. These gaps in reinsurance protection expose us to greater risk and greater potential losses. In the future, we may not be able successfully to alleviate risk through reinsurance arrangements.

In addition, although our current reinsurance program is primarily maintained with reinsurers rated A (Excellent) or better by A.M. Best, a reinsurer's insolvency or inability or unwillingness to make timely payments under the terms of its reinsurance agreements with us could have a material adverse effect on us.

We rely on independent brokers over whom we exercise little control and this exposes us to certain risks.

We do business with a large number of independent brokers on a non-exclusive basis and we cannot rely on their commitment to our insurance products. Moreover, in some markets we operate pursuant to open market arrangements in which we have no formal relationships with brokers who place our risk in these markets.

Because the majority of our brokers are independent, we have only limited ability to exercise control over them. In the event that an independent broker exceeds its authority by binding us on a risk which does not comply with our underwriting guidelines, we may be at risk for that policy until we receive the application and effect a cancellation. Although to date we have not experienced a material loss from improper use of binding authority of our brokers, any improper use of such authority may result in losses that could have a material adverse effect on our business, results of operations and financial condition.

In accordance with industry practice, our customers often pay the premiums for their policies to brokers for payment over to us. These premiums are considered paid when received by the broker and, thereafter, the customer is no longer liable to us for those amounts, whether or not we have actually received the premiums from the broker. Consequently, we assume a degree of credit risk associated with our reliance on brokers in connection with the settlement of insurance balances.

Further, as is customary in the reinsurance industry, OdysseyRe frequently pays amounts owing in respect of claims under its policies to reinsurance brokers, for payment over to the ceding insurers. In the event that a broker fails to make such a payment, depending on the jurisdiction, OdysseyRe might remain liable to the ceding insurer for the deficiency. Conversely, in certain jurisdictions, when the ceding insurer pays premiums for such policies to reinsurance brokers for payment over to OdysseyRe, such premiums will be deemed to have been paid and the ceding insurer will no longer be liable for those amounts, whether or not OdysseyRe has actually received such premiums. Consequently, in connection with the settlement of reinsurance balances, we assume a degree of credit risk associated with brokers around the world.

Assessments and other surcharges for guaranty funds and second-injury funds and other mandatory pooling arrangements may reduce the profitability of our U.S. insurance subsidiaries.

Virtually all states require insurers licensed to do business in their state to bear a portion of the loss suffered by some insureds as the result of impaired or insolvent insurance companies. These obligations are funded by assessments that are expected to increase in the future as a result of recent insolvencies. Many states also have laws that establish second-injury funds to provide compensation to injured employees for aggravation of a prior condition or injury, which are funded by either assessments based on paid losses or premium surcharge mechanisms. In addition, as a condition to the ability to conduct business in various jurisdictions, our insurance subsidiaries are required to participate in mandatory property and casualty shared market mechanisms or pooling arrangements, which provide various types of insurance coverage to individuals or other entities that otherwise are unable to purchase that coverage from private insurers. The effect of these assessments and mandatory shared-market mechanisms or changes in them could reduce the profitability of our U.S. insurance subsidiaries any given period or limit their ability to grow their business.

We may be adversely affected by foreign currency fluctuations.

We report our financial results in Canadian dollars, but as at December 31, 2002, 72.5% of our revenues and 73.6% of our assets were denominated in U.S. dollars. For the purposes of financial reporting, any change in the value of the Canadian dollar against the U.S. dollar or other currencies during a given financial reporting period would result in a foreign currency loss or gain on the translation into Canadian currency. Consequently, our reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses.

Our failure to realize future income tax assets could lead to a writedown, which could adversely affect our results of operations.

Realization of the future income tax asset is dependent upon the generation of taxable income in those jurisdictions where the relevant tax losses and other timing differences exist. The major component of the company's future income tax asset of \$1.5 billion at December 31, 2002 is \$1.1 billion relating to the company's U.S. consolidated tax group. Failure to achieve projected levels of profitability for Crum & Forster and OdysseyRe in this fiscal year could lead to a writedown in this future tax asset if the expected recovery period becomes longer than three to four years.

Our business could be adversely affected by the loss of one or more key employees.

We are substantially dependent on a small number of key employees, including our Chairman and controlling shareholder, Mr. Prem Watsa, and the senior managers of our operating subsidiaries. We believe that the experiences and reputations in our industry of these individuals are important factors in our ability to attract new business. At the subsidiary level, we have entered into employment agreements with our key employees. Our success has been, and will continue to be, dependent on our ability to retain the services of our existing key employees and to attract and retain additional qualified personnel in the future. The loss of the services of any of these key employees, or the inability to identify, hire and retain other highly qualified personnel in the future, could adversely affect the quality and profitability of our business operations. We do not currently maintain key employee insurance with respect to any of our employees.

Our controlling shareholder may substantially influence our direction and operations.

Mr. Prem Watsa holds 12.9% of all classes of our outstanding shares while controlling 54.6% of our votes. Mr. Watsa has the ability to control certain actions requiring shareholder approval, including approving a merger or consolidation, liquidation or sale of our assets, electing members of our board of directors and adopting amendments to our articles and by-laws. Mr. Watsa may have different interests than you have and therefore may make decisions that are adverse to your interests.

Our operations could be adversely affected as a result of regulatory, political, economic or other influences in the insurance and reinsurance industries.

The insurance and reinsurance industries are highly regulated and are subject to changing political, economic and regulatory influences. These factors affect the practices and operation of insurance and reinsurance organizations. Federal, state and provincial legislatures have periodically considered programs to reform or amend the insurance systems at both the federal and local levels.

Changes in current insurance regulation may include increased governmental involvement in the insurance industry or may otherwise change the business and economic environment in which insurance industry participants operate. In the United States, for example, the states of Hawaii and Florida have implemented arrangements whereby property insurance in catastrophe prone areas is provided through state-sponsored entities. The California Earthquake Authority, the first privately financed, publicly operated residential earthquake insurance pool, provides earthquake insurance to California homeowners.

Such changes could affect our subsidiaries' ability to pay dividends, cause us to make unplanned modifications of products or services, or result in delays or cancellations of sales of products and services by insurers or reinsurers. Insurance industry participants may respond to changes by reducing their investments or postponing investment decisions, including investments in our products and services. We cannot predict the future impact of changing law or regulation on our operations; any changes could have a material adverse effect on us or the insurance industry in general.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues can have a negative effect on our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. Recent examples of emerging claims and coverage issues include:

increases in the number and size of water damage claims related to expenses for testing and remediation of mold conditions;

increases in the number and size of claims relating to construction defects, which often present complex coverage and damage valuation questions;

changes in interpretation of the named insured provision with respect to the uninsured/underinsured motorist coverage in commercial automobile policies; and

a growing trend in the United States of plaintiffs targeting property and casualty insurers in purported class action litigation relating to claim-handling and other practices, particularly with respect to the handling of personal lines automobile and homeowners claims.

The effects of these and other unforeseen emerging claims and coverage issues are extremely hard to predict and could harm our business.

Our inability to obtain additional capital in the future as required could have a material adverse effect on our financial condition.

Our future capital requirements depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. To the extent that the funds generated by our operations are insufficient to fund future operating requirements and cover claim payments, we may need to raise additional funds through financings or curtail our growth and reduce our assets. Any equity or debt financing, if available at all, may be on terms that are not favorable to us. If we cannot obtain adequate capital, our business, operating results and financial condition could be adversely affected.

The failure of any of the loss limitation methods we employ could have a material adverse effect on our financial condition or our results of operations.

Unlike most businesses, the insurance and reinsurance business can have enormous costs that can significantly exceed the premiums received on the underlying policies. We seek to limit our loss exposure by employing a variety of policy limits and other terms and conditions and prudent underwriting of each program written. We also seek to limit our loss exposure by geographic diversification. We cannot be sure that any of these loss limitation methods will be effective. There can be no assurance that various provisions of our policies, such as limitations or exclusions from coverage or choice of forum, will be enforceable in the manner we intend and there is no limit to the losses that can arise from most insurance policies.

If the value of our goodwill is impaired we would be required to write down the value of such assets.

A portion of our assets is comprised of goodwill, primarily related to our claims adjusting subsidiary Lindsey Morden Group Inc. We test the carrying value of goodwill and other intangible assets for impairment at least annually. Should we identify that the value of goodwill is impaired, we would be required to writedown the value of such assets to their fair value.

Risks Related to Our Debentures and Our Subordinate Voting Shares

We and our subsidiaries may incur indebtedness that will be senior to the debentures.

Because the debentures are unsecured, they are effectively subordinated to any of our current or future secured indebtedness to the extent of the assets securing such indebtedness. As of June 30, 2003, after giving effect to the offering of the debentures and the application of the estimated net proceeds, we, not including our subsidiaries, had approximately \$1.5 billion of senior indebtedness. The debentures also are effectively subordinated to any existing and future indebtedness and other liabilities of our subsidiaries as to the assets of those subsidiaries. As a result, you will not have any claim as a creditor against our subsidiaries. As of June 30, 2003, our subsidiaries had approximately \$1.5 billion of indebtedness. We recently amended our bank credit agreements to allow our subsidiaries to borrow directly from lenders. As a result, our subsidiary debt will likely increase in the future.

The terms of the debentures do not limit our ability or the ability of our subsidiaries to incur additional indebtedness that will be senior to the debentures. See Description of the Debentures.

We are a holding company, and we may not have access to the cash that is needed to make payment on the debentures.

We are a holding company and conduct substantially all our business through our subsidiaries and receive substantially all our earnings from them. As a result, holders of the debentures will be effectively subordinated to the debt and other liabilities of our subsidiaries including any additional indebtedness incurred by our subsidiaries in the future. Therefore, in the event of the insolvency or liquidation of a subsidiary, following payment by such subsidiary of its liabilities, the subsidiary may not have sufficient remaining assets to make payments to us as a shareholder or otherwise. In the event of a default by a subsidiary under our credit arrangement or other indebtedness, its creditors could accelerate the debt, prior to such subsidiary distributing amounts to us that we could use to make payments on the debentures. In addition, if we caused a subsidiary to pay a dividend to us to make payment on the debentures, and the dividend were determined to be improperly paid, holders of the debentures would be required to return the payment to the subsidiary's creditors.

Although substantially all of our operations are conducted through our subsidiaries, none of our subsidiaries is obligated to make funds available to us for payment on the debentures. Accordingly, our ability to make payments on the debentures is dependent on the distribution of earnings from our subsidiaries. The ability of our subsidiaries to pay dividends to us in the future will depend on their statutory surplus, on earnings and on regulatory restrictions. The ability of our subsidiaries to pay dividends

or make distributions or returns of capital to us is subject to restrictions set forth in the insurance laws and regulations of Canada, the United States and the United Kingdom and is affected by our subsidiaries' credit agreements, rating agencies, the discretion of insurance regulatory authorities and capital support agreements with our subsidiaries. For example, US Fire and North River, Crum & Forster's principal insurance company subsidiaries, reported negative earned surplus of US\$80.4 million and earned surplus of US\$1.7 million, respectively, at June 30, 2003 and, as a result, neither company currently has any dividend capacity. North River will have dividend capacity in 2004 based on its earned surplus at December 31, 2003. No assurance can be given that some or all of our operating subsidiaries' jurisdictions will not adopt statutory provisions more restrictive than those currently in effect. In addition, Crum & Forster currently is not permitted under the terms of the indenture governing its senior notes to pay us any dividends. Our subsidiaries may incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by our subsidiaries to us. We cannot assure you that the agreements governing the current and future indebtedness of our subsidiaries will permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund payments on these debentures when due.

We may incur additional indebtedness that may adversely affect our ability to meet our financial obligations under the debentures.

Our obligations under the debentures rank equally with our unsecured senior indebtedness. We may incur additional indebtedness in the future, which could have important consequences to holders of the debentures, including the following:

we could have insufficient cash to meet our financial obligations, including our obligations under the debentures;

our ability to obtain additional financing for working capital, capital expenditures or general corporate purposes may be impaired; and

a significant degree of debt could make us more vulnerable to changes in general economic conditions and also could affect the financial strength ratings of our insurance subsidiaries.

Because the indenture under which the debentures will be issued contains no financial covenants, holders of the debentures may not be protected in the event we are involved in a highly leveraged transaction, reorganization, restructuring, merger or similar transaction in the future.

The indenture under which the debentures will be issued may not sufficiently protect holders of debentures in the event we are involved in a highly leveraged transaction, reorganization, restructuring, merger or similar transaction. The indenture does not contain:

any provision restricting us or any of our subsidiaries from incurring, assuming or being liable with respect to any indebtedness or other obligations, whether secured or unsecured, or from paying dividends or making other distributions on capital stock or from purchasing or redeeming capital stock;

any restrictions on the ability of our subsidiaries to issue securities that would be senior to the common shares of the subsidiary held by us;

any financial ratios or specified level of net worth to which we or our subsidiaries must adhere;

any restrictions on our ability to pledge our assets as collateral or otherwise encumber our assets; or

any restrictions on our ability to contribute our assets to our insurance subsidiaries.

We may be unable to meet the requirements under the indenture to purchase your debentures upon a change of control.

Upon a change of control, as defined in the indenture, you may require us to purchase all or a portion of your debentures. If a change of control were to occur, we may not have enough funds to pay the purchase price for all tendered debentures in cash. Future credit agreements or other agreements relating to our indebtedness might prohibit the purchase of the debentures and provide that a change of control constitutes an event of default. If a change of control occurs at a time when we are prohibited from purchasing the debentures, we could seek the consent of our lenders to purchase the debentures or could attempt to refinance this debt. If we do not obtain such consent, we will not be able to purchase the debentures. Our failure to purchase tendered debentures would constitute an event of default under the indenture, which might constitute a default under the terms of our other debt. In such circumstances, or if a change of control would constitute an event of default under our senior indebtedness, the subordination provisions of the indenture would possibly limit or prohibit payments to you. The term "change of control" is limited to certain specified transactions and may not include other events that might harm our financial condition. Our obligation to offer to purchase the debentures upon a change of control would not necessarily afford you protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction involving us.

Any decrease in the price of our subordinate voting shares could adversely affect the trading price of the debentures.

The market price of the debentures may be affected by the market price of our subordinate voting shares. This may result in greater volatility in the trading price of the debentures than would be expected for nonconvertible debt securities we issue. In particular, decreases in the market price of our subordinate voting shares could result in decreases in the trading price of the debentures.

Our subordinate voting shares price and, therefore, the price of the debentures, may be subject to fluctuations and volatility.

The market price of our subordinate voting shares has been subject to fluctuations. These fluctuations could continue and could cause fluctuations in the price of the debentures. Among the factors that could affect our subordinate voting shares price are those discussed above, as well as:

actual or anticipated variations in our operating results;

introductions of innovations, new services or products or significant price reductions by us or our competitors;

changes in financial reports by securities analysts;

a downgrade, suspension or withdrawal of the rating assigned by a rating agency to our senior debt;

the occurrence of major catastrophic events; and

general market conditions.

The stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our subordinate voting shares and of the debentures.

The price at which you may be able to resell your debentures may be adversely affected by factors that are beyond our control.

If you are able to resell your debentures, the price you receive will depend on many factors that may vary over time, including:

the number of potential buyers;

the level of liquidity of the debentures;

our financial performance;

the amount of indebtedness we have outstanding;

the level, direction and volatility of market interest rates generally;

the market for similar securities;

the trading price of our subordinate voting shares;

the redemption and repayment features of the debentures to be sold; and

the time remaining to the maturity of your debentures.

As a result of these factors, you may only be able to sell your debentures at prices below those you believe to be appropriate, including prices below the price you paid for them.

There may be no active market for the debentures.

We cannot be sure that any active market for the debentures will develop, or if one does develop, that it will be maintained. If an active market for the debentures fails to develop or be sustained, the trading price of the debentures could decline. We do not intend to apply for listing of the debentures on any securities exchange or any automated quotation system.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the debentures by any holders thereof or from the issuance of any subordinate voting shares upon conversion, redemption, purchase or maturity of any debentures, or from the sale of any such subordinate voting shares.

CAPITALIZATION

The table below sets forth our actual capitalization as of June 30, 2003 under Canadian GAAP. The As Adjusted column reflects our capitalization after giving effect to the issuance of US\$200.0 million aggregate principal amount of the debentures, and the receipt of the net proceeds therefrom. You should read this table in conjunction with the consolidated financial statements and related notes that are incorporated by reference into this prospectus.

As of June 30, 2003(1)	
Actual	As Adjusted