

FIRST MARATHON INC.

ANNUAL INFORMATION FORM

6 May 1997

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THE COMPANY

First Marathon Inc. was incorporated as First Marathon Holdings Inc. under the laws of the Province of Ontario on 2 June 1982 and is governed by the provisions of the Business Corporations Act (Ontario). The registered office of First Marathon Inc. is The Exchange Tower, 2 First Canadian Place, Suite 3200, Toronto, Ontario, M5X 1J9, and its telephone number is (416) 869-3707.

Since it was incorporated, First Marathon Inc. has amended its articles of incorporation as set out below under “Amendments to Articles”.

In this Annual Information Form, unless the context otherwise requires, a reference to “First Marathon” or “the Company” should be taken to include First Marathon Inc. (“FMI”) and/or one or more of its operating subsidiaries.

BUSINESS OF THE COMPANY

First Marathon is a Canadian company that provides a range of financial services to corporations, financial institutions, and individual investors. Its principal businesses include securities underwriting, distribution and trading; merger and acquisition and other advisory services; investing as principal; securities and mortgage banking; and securities execution and clearing services for third parties. The Company’s principal operating subsidiaries, all wholly owned, include First Marathon Securities Limited (“FMSL”), a member, together with its affiliates, of all Canadian stock exchanges and the Investment Dealers Association of Canada, First Marathon Capital Corp. (“FMCC”), First Marathon Bank GmbH (“FM Bank”), a member of the Frankfurt Stock Exchange, First Marathon (U.S.A.) Inc. (“FM USA”), a member of the National Association of Securities Dealers (“NASD”), First Marathon America Inc. (“FMA”), a member of the NASD and the Chicago Board Options Exchange, Marathon Arbitrage V.O.F. (“MA”), a member of the NASD, First Marathon (U.K.) Limited (“FM UK”), a member of The London Stock Exchange, and First Marathon Mortgage Corporation, an approved CMHC lender. For details of the places of incorporation of these principal operating subsidiaries see below under “Subsidiaries - Places of Incorporation”. (Reference is made to page 59 of the Company’s 1996 Annual Report for details of exchange and non-exchange memberships.)

First Marathon's principal operating subsidiary, FMSL, is an investment dealer and securities broker serving institutional clients in Canada, the United States, Europe and elsewhere, as well as individual clients in Canada. FMSL has its registered and principal office in Toronto and has branch offices in Halifax, Montreal, Calgary and Vancouver. FM Bank has an office in Frankfurt, Germany. FM UK has an office in London, England. FMA has an office in Jersey City, New Jersey.

The Company's principal business activities, securities distributing and trading, investment banking, and investing as principal are, by their nature, competitive and subject to various risks. The primary risks are variations in the value of securities, the volatility and liquidity of trading markets, and the volume of new financings and mergers and acquisitions. Other factors, such as general economic conditions, currency values, the level of volatility of interest rates, credit availability, counterparty credit risk, legislative and regulatory developments, and the outlook for inflation, may have an impact on the results of operations. Accordingly, the Company's revenues and net income have been in the past, and will continue to be, subject to significant fluctuations reflecting such factors as the above, as well as general competitive conditions.

The Company is engaged in four key areas of activity: institutional and retail brokerage; investment banking; proprietary trading and investing as principal; and providing correspondent clearing services on behalf of third parties. Of those business segments accounting for 15% or more of the consolidated revenues of the Company during its most recently completed fiscal year, institutional and retail brokerage accounted for 29%, investment banking accounted for 32%, and investing as principal accounted for 21% of the total consolidated revenue of the Company.

Institutional and Retail Brokerage

Sales

A substantial portion of the Company's total commission revenue is derived from institutional clients. Such clients include pension funds, mutual funds, banks, trust companies, insurance companies, and private money managers. Most of these clients are located in Canada, although FM USA services many clients located in the United States, and FMSL and FM UK serve clients who are located in Europe. No one institutional client accounts for a material portion of the Company's total commission revenue.

FMSL also employs approximately twenty-five retail investment advisors who specialize in providing full-service retail brokerage for a select group of individual clients. Many of the investment advisors specializing in institutional brokerage also have some non-institutional clients.

Trading

In order to serve its institutional and other clients by effectively executing securities transactions, the Company engages in both agency and liability trading activities. The Company maintains trading desks in its Toronto, Montreal and Vancouver offices, with liability trading centred in Toronto.

Research

The Company employs a number of securities analysts who are engaged in developing investment analyses and recommendations with respect to various companies and industries. The Company has found that its research activities constitute a major strength and are very important in attracting and retaining institutional and individual clients.

The efforts of the research department are principally directed towards achieving long-term growth of capital for the Company's clients. The Company believes this objective can best be met through the identification of securities of financially sound, well-managed companies which appear to be undervalued in relation to long-term earnings or cash-flow, the value of underlying assets, or the quality of management.

Investment Banking

Corporate finance activities, which are primarily carried out by FMSL, contribute a significant portion of the Company's revenues and even more significantly to net income. A significant part of the Company's corporate finance activities include the structuring, managing, underwriting, and marketing of public offerings and private placements of securities. As well, the Company participates as an underwriter and/or distributor of financings managed by others. The Company also provides advisory services to its clients in connection with corporate reorganizations, mergers, acquisitions, divestitures, and rights offerings, and renders fairness opinions and valuations in connection with such transactions. These services are provided to a broad client base that includes industrial and resource companies, merchandisers, financial institutions, real estate and other companies, as well as private, institutional and corporate investors.

Proprietary Trading and Investing as Principal

The Company purchases and sells equity and debt securities for its own account. Its goal in doing so is to achieve above-average returns on invested equity capital commensurate with a given level of risk. Revenue and net trading profits from this activity have grown in recent years and have provided an increased share of revenue and net income, although such share of revenue or net income may vary significantly from year to year.

Investment income is comprised of dividend and interest income, trading gains, capital gains, and other income. Interest income includes the interest spread earned on client debit balances and client credit balances, as well as the interest earned on securities owned by the Company.

The Company has a specialized business unit FM Financial Products (“FMFP”) whose investment activities emphasize the use of derivative instruments and/or hedged investment positions in non-derivative securities. These activities are carried on by FMI, FM Bank, FMSL, FMA, MA and FM UK. Many of FMFP’s investment strategies involve the creation of synthetic positions in stocks, bonds, or indexes that promise a preferential rate of return and risk profile relative to that of the underlying securities that they replicate. Proprietary financial models have been developed which enable the group to evaluate different strategies in order to minimize risks while enhancing rates of return. In addition, FMFP has developed proprietary trading systems which allow it to quickly and efficiently execute the often highly complex trades required to implement investment strategies.

In conjunction with its equity derivatives activities, FMFP has also developed a significant securities lending business, dealing chiefly with institutional clients, which is distinct from the day-to-day activity of the FMSL securities loan post. This facility, which is international in scope, has provided additional opportunities for the Company to expand its activities to other related forms of arbitrage.

In 1993, the Company purchased a German bank which now operates in Frankfurt, Germany as First Marathon Bank GmbH. FM Bank provides treasury functions for FMFP and itself engages in a variety of trading and investment strategies.

Listed and over-the-counter markets are developing in Canada and in other countries in which FMFP operates, for a variety of derivatives-linked financial instruments. The Company believes that the expansion of such instruments will provide it with increased opportunities to use its related expertise in the employment of its own capital and in servicing its investor and issuing clients.

The Company, from time to time, also engages in merchant banking activities for its own account.

The Company believes that it uses a conservative approach to risk management and hedging, that encompasses careful assessment of counterparty creditworthiness and

liquidity, strong internal financial and operating controls, and the careful development and review of investment, hedging, and trading strategies.

The Correspondent Network

The Company provides trading, clearing, and accounting and office services to independent securities brokers and professional trading firms through the Correspondent Network, its third party clearing and execution business. The Correspondent Network currently has approximately 50 affiliated organizations with over 1,200 active registered representatives.

Operational and Administrative Services

The operations department of FMSL is responsible for processing orders and settling transactions. FM Bank conducts similar activities in Germany. Client account administration includes arranging for the safe custody of securities held in client accounts, collecting and distributing dividends and interest on such securities, and ensuring compliance with regulatory requirements. Other types of client account entries relate to deposits, receipts, deliveries, dividends, interest, and the issuance of cheques for dividends and other payments.

CAPITAL STOCK

The authorized capital of the Company includes an unlimited number of Class C voting shares ("Class C Shares"), of which 2,352,020 had been issued as at 31 December 1996, and an unlimited number of Class A non-voting shares ("Non-Voting Class A Shares"), of which 22,824,494 had been issued as at 31 December 1996. Note 6 of the Company's 1996 Annual Report "Consolidated Financial Statements" is hereby incorporated herein by reference.

The holders of Non-Voting Class A shares have the right to convert their Non-Voting Class A Shares into Class C shares on a share-for-share basis, solely for the purpose of accepting an offer for the Class C Shares, if an offer is made to purchase or to accept an offer or offers to sell Class C Shares to holders of Class C Shares at a price per Class C Share such that, if made for a corresponding proportion of Non-Voting Class A Shares at the same price per share would, pursuant to applicable securities legislation or the by-laws, regulations or policies of any stock exchange on which the Non-Voting Class A Shares are then listed, be required to be made to all holders of Non-Voting Class A Shares.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Pages 38 and 56 of the Company's 1996 Annual Report are incorporated herein by reference, respecting certain financial data of the Company for the last five completed

fiscal years and certain financial information in respect to the Company for each of the last eight quarterly periods ending 31 December 1996.

DIVIDEND POLICY

It is the Company's current policy to pay regular quarterly dividends. However, the declaration and payment of dividends is subject to earnings, the financial condition of the Company, and such other factors as the directors deem relevant.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pages 28 to 37 of the Company's 1996 Annual Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" are hereby incorporated herein by reference.

MARKET FOR SECURITIES OF THE COMPANY

FMI's Non-Voting Class A Shares and Class C Shares are both listed and posted for trading on The Toronto Stock Exchange, The Montreal Exchange, and the Vancouver Stock Exchange.

EMPLOYEES

The Company employed approximately 620 persons as at 31 March 1997.

DIRECTORS AND OFFICERS

The section entitled "Election of Directors", contained in pages 3 to 4 of FMI's management information circular dated 2 April 1997, filed in conjunction with its annual meeting of shareholders on 8 May 1997, is hereby incorporated herein by reference for particulars in respect to the directors and certain of the officers of FMI.

In addition, the following disclosure is made in respect of those officers of FMI who are not also directors of FMI:

<u>Name and Municipality of Residence</u>	<u>Office Held</u>	<u>Principal Occupation</u>
Robert M. Sellars, Oakville, Ont.	Chief Financial Officer	Chief Financial Officer of FMI - prior to 09/95 Comptroller of FMSL
F. Michael Walsh, Toronto, Ont.	Vice-President	Vice-President of FMI
W. David Wood, Toronto, Ont.	Assistant Secretary	President, Correspondent Network

AMENDMENTS TO ARTICLES

From time to time since its incorporation, FMI has amended its articles of incorporation to:

1. change its name to its present name;
2. create a board of directors with a variable number of members, change its authorized capital, and delete its “private company” restrictions;
3. change its French language name, set out the borrowing powers of directors, set out the provisions attaching to its Non-Voting Preference Shares, and establish restrictions on the ownership of its shares;
4. subdivide and reclassify its issued common shares into Subordinate Voting Class A Shares and Class B Shares;
5. change each of the Subordinate Voting Class A Shares into Non-Voting Class A Shares and change each of its Class B Shares into Class C Shares, subdivide its Class C Shares and amend the provisions attaching to its Non-Voting Class A Shares and its Class C Shares;
6. create an initial series of Preference Shares designated as Series I Preference Shares and set forth the provisions attaching thereto;
7. subdivide each of its Non-Voting Class A Shares and Class C Shares;
8. incorporate flexible as opposed to specific ownership threshold requirements, so as to allow the restrictions on the ownership of FMI’s securities to automatically adapt to regulatory requirements as amended from time to time;
9. decrease its authorized capital by cancelling all ten of the unissued common shares in the capital of the Corporation; and
10. delete the ownership restrictions referred to in item 8 above from its articles, when such restrictions were no longer required for regulatory purposes.

SUBSIDIARIES - PLACES OF INCORPORATION

The places of incorporation of the principal operating subsidiaries of FMI are as follows:

First Marathon Securities Limited	Ontario
First Marathon Capital Corp.	Ontario
First Marathon Bank GmbH	Germany
First Marathon (U.S.A.) Inc.	Ontario
First Marathon America Inc.	Delaware
Marathon Arbitrage V.O.F.	Netherlands Antilles partnership
First Marathon (U.K.) Limited	United Kingdom
First Marathon Mortgage Corporation	Ontario

ADDITIONAL INFORMATION

The Company shall provide to any person, upon request to the Secretary of First Marathon Inc. at the address noted below:

- (a) when the securities of FMI are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities: (i) one copy of this annual information form together with one copy of any document, or the pertinent pages of any document, incorporated by reference therein; (ii) one copy of the comparative financial statement of FMI for its most recently completed financial year together with the accompanying report of the auditors and one copy of any interim financial statements of FMI subsequent to the financial statements for its most recently completed financial year; (iii) one copy of the management information circular of FMI in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that management information circular, as appropriate; and (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or
- (b) at any other time, one copy of any other documents referred to in (a)(i), (ii) and (iii), provided that FMI may require the payment of a reasonable charge if the request is made by a person who is not a security holder of FMI.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of FMI's securities, options to purchase securities, and interests of insiders in material transactions, where applicable, is contained in FMI's management information circular dated 2 April 1997. Additional financial information is provided in FMI's "Consolidated Financial Statements" and notes thereto which together comprise pages 39 to 45 of the Company's 1996 Annual Report to shareholders.

Copies of the aforementioned documents may be obtained upon request from the Secretary of First Marathon Inc. at its principal office located at 2 First Canadian Place, Suite 3200, Toronto, Ontario, M5X 1J9. Attention: Stuart W. Henry, Secretary.