The Ontario Securities Commission

OSC Bulletin

July 27, 2001

Volume 24, Issue 30

(2001), 24 OSCB

The Ontario Securities Commission Administers the
Securities Act of Ontario (R.S.O. 1990, c.S.5) and the
Commodity Futures Act of Ontario (R.S.O. 1990, c.C.20)

The Ontario Securites Commission
Cadillac Fairview Tower
Suite 800, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

416-593-8314 or Toll Free 1-877-785-1555

Published under the authority of the Commission by:
IHS/Micromedia Limited
20 Victoria Street
Toronto, Ontario
M5C 2N8

416-362-5211 or 1-800-387-2689

Contact Centre - Inquiries, Complaints:	Fax: 593-8122
Capital Markets Branch:	Fax: 593-3651
Capital Markets - Registration:	Fax: 593-8283
Corporate Finance - Filings Team 1:	Fax: 593-8244
Corporate Finance - Filings Team 2:	Fax: 593-3683
Corporate Finance - Continuous Disclosure (Insider Reporting):	Fax: 593-3666
Corporate Finance - Take-Over Bids / Advisory Services:	Fax: 593-8177
Enforcement Branch:	Fax: 593-8321
Executive Offices:	Fax: 593-8241
General Counsel's Office:	Fax: 593-3681
Office of the Secretary:	Fax: 593-2318

The OSC Bulletin is published weekly by Micromedia, a division of IHS Canada, under the authority of the Ontario Securities Commission.

Subscriptions are available from Micromedia limited at the price of $575 per year. Back volumes are also available on microfiche:

2000	$475
1999	$450
1997-98	$400/yr
1995-1996	$385/yr
1994:	$370
1993:	$275
1992:	$250
1981-1991:	$175/yr

Subscription prices include first class postage to Canadian addresses. Outside Canada, these airmail postage charges apply on a current subscription:

U.S.	$175
Outside North America	$400

Single issues of the printed Bulletin are available at $35.00 per copy as long as supplies are available. OSC Bulletin Plus, a full text searchable CD-ROM containing OSC Bulletin material from January 1994 is available from Micromedia Limited. Online web subscriptions are available at

"http://circ.ihscanada.ca/"

Claims from bona fide subscribers for missing issues will be honoured by Micromedia up to one month from publication date. After that period back issues will be available on microfiche only.

Full copies of both Insider Reports and Public Filings listed in Chapters 7 and 10 respectively are available from: Demand Documents Department, Micromedia, 20 Victoria Street, Toronto, Ontario M5C 2N8 (416) 362-5211, extension 2211.

Space is available in the Ontario Securities Commission Bulletin for advertisements. The publisher will accept advertising aimed at the securities industry or financial community in Canada. Advertisements are limited to tombstone announcements and professional business card announcements by members of, and suppliers to, the financial services industry.

ISSN 0226-9325

Table of Contents

Table of Contents
(cont'd)

Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

July 27, 2001

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

Unless otherwise indicated in the date column, all hearings will take place at the following location:

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

Telephone: 416- 597-0681 Telecopiers: 416-593-8348

CDS **TDX 76**

Late Mail depository on the 19th Floor until 6:00 p.m.

THE COMMISSIONERS

David A. Brown, Q.C., Chair	—	DAB
Paul M. Moore, Q.C., Vice-Chair	—	PMM
Howard Wetston, Q.C., Vice-Chair	—	HW
Kerry D. Adams, FCA	—	KDA
Stephen N. Adams, Q.C.	—	SNA
Derek Brown	—	DB
Robert W. Davis, FCA	—	RWD
John A. Geller, Q.C.	—	JAG
Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q. C.	—	HLM
R. Stephen Paddon, Q.C.	—	RSP

SCHEDULED OSC HEARINGS

Date to be announced	**Mark Bonham and Bonham & Co. Inc.** s. 127 Mr. A.Graburn in attendance for staff. Panel: TBA
July 27/2001 10:00 a.m.	**Ricardo Molinari, Ashley Cooper, Thomas Stevenson, Marshall Sone, Fred Elliott, Elliott Management Inc. and Amber Coast Resort Corporation** s. 127 and 127.1 Staff: Sarah Oseni Panel: PMM
July 9 - 12 July 16 -19 July 23-26 July 30 - Aug 2 August 13 -16 August 20,22,23 August 27-30 /2001 10:00 a.m.	**YBM Magnex International Inc., Harry W. Antes, Jacob G. Bogatin, Kenneth E. Davies, Igor Fisherman, Daniel E. Gatti, Frank S. Greenwald, R. Owen Mitchell, David R. Peterson, Michael D. Schmidt, Lawrence D. Wilder, Griffiths Mcburney & Partners, National Bank Financial Corp., (formerly known as First Marathon Securities Limited)** s. 127 K. Daniels / M. Code / J. Naster / I. Smith in attendance for staff. Panel: HIW / DB / RWD
August 13/2001 10:00 a.m.	**Jack Banks et al.** s. 127 Mr. Tim Moseley in attendance for staff. Panel: TBA

September 11/2001 10:00 a.m.	**Livent Inc., Garth Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol** s. 127 and 127.1 Ms. Johanna Superina in attendance for staff. Panel: TBA
October 24/2001 10:00 a.m.	**Sohan Singh Koonar** s. 127 and 127.1 Ms. Johanna Superina in attendance for staff. Panel: PMM

ADJOURNED SINE DIE

Buckingham Securities Corporation, Lloyd Bruce, David Bromberg, Harold Seidel, Rampart Securities Inc., W.D. Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation, Caldwell Securities Limited and B2B Trust

Michael Bourgon

DJL Capital Corp. and Dennis John Little

Dual Capital Management Limited, Warren Lawrence Wall, Shirley Joan Wall, DJL Capital Corp., Dennis John Little and Benjamin Emile Poirier

First Federal Capital (Canada) Corporation and Monter Morris Friesner

Global Privacy Management Trust and Robert Cranston

Irvine James Dyck

M.C.J.C. Holdings Inc. and Michael Cowpland

Offshore Marketing Alliance and Warren English

Robert Thomislav Adzija, Larry Allen Ayres, David Arthur Bending, Marlene Berry, Douglas Cross, Allan Joseph Dorsey, Allan Eizenga, Guy Fangeat, Richard Jules Fangeat, Michael Hersey, George Edward Holmes, Todd Michael Johnston, Michael Thomas Peter Kennelly, John Douglas Kirby, Ernest Kiss, Arthur Krick, Frank Alan Latam, Brian Lawrence, Luke John Mcgee, Ron Masschaele, John Newman, Randall Novak, Normand Riopelle, Robert Louis Rizzuto, And Michael Vaughan

S. B. McLaughlin

Southwest Securities

Terry G. Dodsley

Wayne Umetsu

PROVINCIAL DIVISION PROCEEDINGS

Date to be announced	**Michael Cowpland and M.C.J.C. Holdings Inc.** s. 122 Ms. M. Sopinka in attendance for staff. Ottawa
August 20/ 2001 9:00 a.m. Courtroom E	**1173219 Ontario Limited c.o.b. as TAC (The Alternate Choice), TAC International Limited, Douglas R. Walker, David C. Drennan, Steven Peck, Don Gutoski, Ray Ricks, Al Johnson and Gerald McLeod** s. 122 Mr. D. Ferris in attendance for staff. Provincial Offences Court Old City Hall, Toronto

September 17/2001
9:30 a.m.

Einar Bellfield

s. 122

Ms. Sarah Oseni in attendance for staff.

Courtroom 111, Provincial
Offences Court
Old City Hall, Toronto

Reference:

John Stevenson
Secretary to the
Ontario Securities Commission
(416) 593-8145

1.1.2 Commission Approval of Amendments to IDA Reg. 1300, 1800.5 and 1900.4 and IDA Policy No. 9 - Suitability Requirements

AMENDMENT TO IDA REGULATIONS 1300, 1800.5 AND 1900.4
AND IDA POLICY NO. 9 – SUITABILITY REQUIREMENTS

NOTICE OF COMMISSION APPROVAL

On July 24, 2001 the Commission approved amendments to IDA Regulations 1300, 1800.5 and 1900.4 and approved IDA Policy No. 9 on the topic of Suitability. The amendments and policy provide that accredited IDA member firms will no longer have to provide a review for suitability in cases where the client is not provided with a recommendation on a particular transaction. A copy and description of the amendment and policy was published in the OSC Bulletin dated May 4, 2001 at (2001) 24 OSCB 2923. No comments were received.

1.1.3 OSC Staff Notice 33-719 Registration Renewal & Permanent Registration

OSC STAFF NOTICE 33-719
REGISTRATION RENEWAL AND PERMANENT REGISTRATION

The Ontario Securities Commission, in conjunction with other Canadian securities regulators, is developing a web-based registration system called the National Registration Database ("NRD"). Pursuant to the rules under which the NRD will be implemented, all registrants will be required to pay an annual registration fee on a day in December to be specified by proposed Multilateral Instrument 33-108 Permanent Registration and proposed Rule 33-505 (CFA) Permanent Registration (the "Permanent Registration rules").

In order to make the adjustment to a common annual fee payment date, registrations that have expired since December 1, 2000 have been renewed until December 31, 2001. Due to the expected delayed implementation of NRD until late 2002, OSC staff has decided to discontinue renewing registrants to December 31, 2001. Staff anticipates that the practice of renewing all registrants to December 31st will resume in 2002, the year in which NRD is expected to be operational.

The implementation of the Permanent Registration rules will be postponed until the implementation of NRD.

"Peggy Dowdall-Logie"

1.1.4 OSC Staff Notice 43-702 Review Time Frames for "Equity Line" Short Form Prospectuses

ONTARIO SECURITIES COMMISSION STAFF NOTICE 43-702

REVIEW TIME FRAMES FOR "EQUITY LINE" SHORT FORM PROSPECTUSES

Commission staff wish to advise that, where an issuer that is eligible to use the short form prospectus system files a preliminary short form prospectus relating to the distribution of securities in connection with an "equity line" financing (as described below), such prospectus will generally be reviewed within the time periods applicable to a long form prospectus.

In recent months, a number of prospectuses have been filed with the Commission which relate to the distribution of securities in connection with an "equity line" financing arrangement. Under an equity line arrangement, the issuer typically enters into an agreement with one or more purchasers which provides that, over a certain term, the issuer may from time to time require the purchasers to subscribe for a certain number of securities of the issuer, usually at a discount from the then market price. From the perspective of the issuer, a line of equity secures access to a readily available source of funds and serves a similar function to a line of credit. From the perspective of the purchasers, a line of equity permits the purchasers the opportunity to purchase securities of the issuer at a discount, and allows for a repayment of capital through the resale of the securities into the secondary market.

Equity-line financings represent a relatively novel form of financing in Canada and raise a number of important policy issues relating to the appropriate treatment of such offerings under existing securities law. These issues are currently being considered by the Canadian Securities Administrators (the "CSA"). In the meantime, pending the outcome of such consideration, staff will continue to review such offerings in consultation with the other CSA jurisdictions on a case-by-case basis. Staff are of the view, however, that the time periods ordinarily prescribed for the review of short form prospectuses do not permit sufficient time for adequate review of such offerings.

Accordingly, staff wish to advise that, in accordance with the principles of review outlined in Section 5.3 of National Policy 43-201 -- Mutual Reliance Review System for Prospectuses and Annual Information Forms, a preliminary short form prospectus relating to the distribution of securities in connection with an equity line financing will generally be reviewed within the time periods applicable to a long form prospectus. Issuers who are uncertain as to whether securities which they propose to issue would be considered as being part of an equity line financing are advised to consult staff.

Reference:

Iva Vranic
Manager, Corporate Finance
Tel.: (416) 593-8115
ivranic@osc.gov.on.ca

Margo Paul
Manager, Corporate Finance
Tel.: (416) 593-8136
mpaul@osc.gov.on.ca

Paul Hayward
Legal Counsel, Corporate Finance
Tel.: (416) 593-3657
phayward@osc.gov.on.ca

1.2 Notice of Hearing

1.2.1 Buckingham Securities Corporation et al.

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, C.S.5, AS AMENDED

AND

IN THE MATTER OF
BUCKINGHAM SECURITIES CORPORATION,
LLOYD BRUCE,
DAVID BROMBERG,
HAROLD SEIDEL,
RAMPART SECURITIES INC.,
W.D. LATIMER CO. LIMITED,
CANACCORD CAPITAL CORPORATION,
BMO NESBITT BURNS INC.,
BEAR, STEARNS & CO. INC.,
DUNDEE SECURITIES CORPORATION
CALDWELL SECURITIES LIMITED, AND
B2B TRUST

NOTICE OF HEARING
(Sections 127 and 127.1)

WHEREAS on the 6th day of July, 2001, the Ontario Securities Commission (the "Commission") ordered, pursuant to clause 2 of subsection 127(1) of the *Securities Act*, R.S.O. 1990, C.s.5, as amended (the "Act"), that trading in any securities by Buckingham Securities Corporation ("Buckingham"), Lloyd Bruce ("Bruce"), David Bromberg ("Bromberg") and Harold Seidel ("Seidel") (collectively, referred to as the "Respondents") cease (the "Temporary Order");

AND WHEREAS the Commission further ordered, pursuant to clause 1 of subsection 127(1) of the Act, that the registration of Buckingham be suspended;

AND WHEREAS the Commission further ordered that pursuant to clause 2 of subsection 127(1) of the Act that trading in securities by Rampart Securities Inc., W.D.Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation, Caldwell Securities Limited and B2B Trust (collectively, referred to as the "Brokers") cease, on the term that trading cease by the Brokers only in respect of securities held in an account or accounts in the name of Buckingham with each of the Brokers;

AND WHEREAS the Commission further ordered that pursuant to clause 6 of subsection 127(1) of the Act that the Temporary Order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by the Commission;

TAKE NOTICE that the Commission will hold a hearing pursuant to section 127 of the Act at its offices on the 17th Floor, 20 Queen Street West, Toronto, Ontario commencing on Friday, the 20th day of July, 2001, at 10:00 a.m. or as soon thereafter as the hearing can be held:

TO CONSIDER whether, pursuant to sections 127(1) and 127.1 of the Act, it is in the public interest for the Commission:

(a) To make an order to extend the Temporary Order until this hearing is concluded;

(b) To make an order that the Respondents cease trading in securities, permanently or for such time as the Commission may direct;

(c) To make an order that the registration of the Respondents, Buckingham, Bruce and Bromberg, be terminated, suspended or restricted for such period as directed by the Commission, and/or that terms and conditions be imposed as directed by the Commission;

(d) To make an order that any exemptions contained in Ontario securities law do not apply to the Respondents or any of them permanently, or for such period as specified by the Commission;

(e) To make an order that Bruce, Bromberg and Seidel resign one or more positions which there Respondents may hold as an officer or director of any issuer;

(f) To make an order that Bruce, Bromberg and Seidel be prohibited from becoming or acting as a director or officer of any issuer;

(g) To make an order that the Respondents be reprimanded;

(h) To make an order that the Respondents pay the costs of Staff's investigation and the costs of, or related to, this proceeding, incurred by or on behalf of the Commission; and

(i) To make such other order as the Commission may deem appropriate.

BY REASON OF the allegations set out in the Temporary Order and such additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel at the hearing;

AND TAKE FURTHER NOTICE that upon failure of any part to attend at the time and place aforesaid, the hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceeding.

July 6, 2001.

"John Stevenson"

1.2.2 Air Canada

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c.S.5, AS AMENDED

AND

IN THE MATTER
OF AIR CANADA

NOTICE OF HEARING
(Subsections 127(1) and 127.1)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to subsections 127(1) and 127.1 of the *Securities Act,* R.S.O. 1990, c.S.5, as amended (the "Act") at the Commission offices, 20 Queen Street West, 17th Floor, in the Large Hearing Room, Toronto, Ontario commencing on the 27th day of July, 2001 at 9:30 a.m. or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the Hearing will be for the Commission to consider whether to approve the proposed settlement of the proceeding entered into between Staff of the Commission ("Staff") and the respondent pursuant to Sections 127 and 127.1 of the *Act*, which approval will be sought by Staff and the Respondent;

AND TAKE NOTICE that the hearing will be held jointly with the Commission des valeurs mobilières du Québec, in accordance with Rule 8 of the Commission's Rules of Practice;

BY REASON OF the allegations set out in the Statement of Allegations of Staff and such additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel if that party attends or submits evidence at the hearing;

AND TAKE FURTHER NOTICE that upon the failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceeding.

July 25, 2001.

"John Stevenson"

1.2.3 Air Canada - Statement of Allegations

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c.S.5, AS AMENDED

AND

IN THE MATTER OF
AIR CANADA

STATEMENT OF ALLEGATIONS

Staff of the Ontario Securities Commission ("Staff") make the following allegations:

A. THE RESPONDENT

1. Air Canada is a corporation continued under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 on August 25, 1988 with its head office located in St. Laurent, Quebec. Air Canada was, at all material times, a reporting issuer in Ontario. Air Canada's common shares (the "Shares") are listed on The Toronto Stock Exchange (the "TSE") and quoted on NASDAQ.

B. FACTS

(i) Background

2. On October 5, 1988, Air Canada and the TSE executed an agreement whereby in consideration for the listing on the TSE of the securities of Air Canada, Air Canada agreed, among other things, to comply with all TSE requirements applicable to listed companies (the "Listing Agreement").

3. In or around December 1998 Air Canada's board of directors approved the implementation of a policy regarding the public disclosure of information ("Air Canada's Public Disclosure Policy"). Air Canada's Public Disclosure Policy provides, among other things, that:

> "Air Canada's spokesperson(s) will not comment, discuss, provide guidance on or disclose material non-public information (such as quarterly results and earnings estimates and cash flow and earnings projections for the current and following years) during a 'quiet period' which shall begin on the first day following the end of a quarter and end with the public release of Air Canada's quarterly results."

(ii) The Disclosure

4. On October 5, 2000, five days following the end of Air Canada's third quarter, Air Canada informed thirteen analysts covering Air Canada (the "Analysts") of information pertaining to Air Canada's earnings for its third and fourth quarters (the "Earnings Information").

The Earnings Information included, among other things, advice by Air Canada:

(a) that its earnings per share for the third quarter of the year 2000 would be $0.55 to $0.60 less than its original guidance to analysts of $1.10 to $1.15, and, therefore, an indication by Air Canada that its third quarter earnings per share would be $0.50 to $0.60; and

(b) that, in respect of the second half of the year 2000, its earnings per share would be $0.52 to $0.59 less than previously anticipated, plus the negative impact of increased fuel costs which would amount to an additional downward adjustment of $0.42 per share.

5. The decision to inform the Analysts of the Earnings Information was made by Michael Robert Peterson ("Peterson"), who was at all material times the Executive Vice President and Chief Financial Officer of Air Canada.

6. The actual disclosure of the Earnings Information was performed by Valerie Ann Peck ("Peck"), who was at all material times the Director of Investor Relations of Air Canada. Peck reported directly to Peterson.

7. Commencing at 6:40 p.m. on October 5, 2000, Peck recited the Earnings Information from a prepared script (the "Script") into the telephone voice mail system of each of the Analysts. The Script was prepared by Peterson and Peck. The text of the Script is reproduced in Schedule "A" attached hereto.

8. Air Canada's Public Disclosure Policy was in force at the time Air Canada disclosed the Earnings Information to the Analysts.

9. The disclosure by Air Canada to the Analysts of the Earnings Information was made after the close of the TSE's October 5, 2000 trading session.

10. The opening price for the Shares on October 6, 2000 was $14.00, one dollar less than the previous day's closing price of $15.00. The lowest price at which the Shares traded on October 6, 2000 on the TSE was $12.85, a decrease of $2.15 or 14 percent from the closing price on October 5, 2000. The closing price on October 6, 2000 of the Shares was $13.25, or a 12% decrease from the closing price on October 5, 2000 (and a 5.4% decrease from the opening price of $14.00). The day-over-day change in the closing price of the Shares measured at the close of the October 6, 2000 trading session of the TSE constituted a significant decrease in the market price or value of the Shares.

11. At or around the commencement of the October 6, 2000 trading session, market surveillance staff of the TSE observed a significant price decline of the Shares and observed a media account indicating that Air Canada guided analysts expectations downward. At 9:41 a.m. TSE Staff contacted Air Canada to discus the trading activity and to make inquiries into the veracity of the media account.

12. On October 6, 2000 at 3:57 p.m., Air Canada issued a press release ("Air Canada's Press Release") which expressed disappointment in the fall in share price during the October 6 trading session of the TSE. Air Canada's Press Release stated that Air Canada expected that certain charges would be taken in the third quarter including those related to integration and passenger service costs relating to the acquisition of Canadian Airlines, labour costs related to the settlement with Air Canada's pilots, the effect of fuel price increases, and the impact of the threat of a pilot strike. Air Canada stated that this information was reviewed with analysts on October 5 and 6. The text of Air Canada's Press Release is reproduced in Schedule "B" attached hereto.

13. Air Canada's Press Release did not disclose the same information that Air Canada disclosed to the Analysts the previous evening. In particular, Air Canada's Press Release failed to disclose Air Canada's assessment of the quantitative impact that certain factors would bear on Air Canada's earnings per share in the third quarter and second half of the year 2000.

15. The disclosure of the Earnings Information by Air Canada to the Analysts occurred during Air Canada=s defined >quiet period' and was not in accordance with Air Canada's Public Disclosure Policy.

(iii) Statutory and Contractual Obligations of Air Canada Regarding Disclosure

16. Pursuant to subsection 76(2) of the *Securities Act*, R.S.O. 1990, c.S.5., as amended (the "Act"), no reporting issuer and no person in a special relationship with a reporting issuer shall inform, other than in the necessary course of business, another person or company of a material fact with respect to the reporting issuer before the material fact has been generally disclosed. In addition, the provisions of TSE Company Manual are applicable to listed companies including Air Canada. Pursuant to Section 401 of the TSE Company Manual, in order to maintain the listing of Air Canada's securities on the TSE, Air Canada must adhere to certain disclosure related obligations, including the following:

Section 408 A listed company is required to disclose material information concerning its business and affairs forthwith upon the information becoming known to management...

Section 411 Forecasts of earnings and other financial forecasts need not be disclosed but where a significant increase or decrease in earnings is indicated in the near future, such as in the next fiscal quarter, this fact must be disclosed...

iv) **Conduct contrary to the Public Interest**

16. The Earnings Information, considered as a whole, was a "material fact". The Earnings Information was not generally disclosed by Air Canada prior to the disclosure of that information by Air Canada to the Analysts. By informing the Analysts of the Earnings Information before such information was generally disclosed, as such, Air Canada acted contrary to the public interest.

17. The Earnings Information was "material information" as defined in the TSE Company Manual. In the circumstances, by selectively disclosing the Earnings Information to the Analysts and by not generally disclosing the Earnings Information, as such, in a timely manner, Air Canada failed to comply with the provisions of the TSE Company Manual, as set out above, and thereby acted contrary to the public interest.

C. **OTHER**

18. Such additional allegations as Staff may submit and the Commission may permit.

SCHEDULE "A"

The following is a basic overview of quarter 3 and the year 2000 adjusted for:

- recorded one-time gains;
- an updated fuel view, and
- estimated one-time labour and incremental integration costs and the revenue effect of labour uncertainty at Air Canada and United Airlines.

Generally speaking, *with the exception of* higher than anticipated fuel and these one-time integration and labour-related issues, we are essentially at the earlier estimates.

Our original Q3 guidance of about $1.10 to $1.15 has to be adjusted for about 10 cents of additional fuel costs. In addition, the quarter will reflect 20 cents of one-time costs for ACPA bonuses and approximately 5 to 10 cents of one-time integration costs relating to our 180-day commitment (extra heads, overtime, IT, etc.). Finally, we estimate the revenue impact resulting from pilot uncertainty and/or actions at Air Canada and United to be in the range of 20 cents a share.

For quarter 4, increased WTI and crack spreads will cause fuel to take about 32 cents off our previous quarterly estimate of 4 to 5 cents. We also expect to expense another 7 to 9 cents a share for one-time integration expenses affecting operations. Potential risks for the fourth quarter are:

- potential revenue risk if UA labour action continues;
- any further volatility in fuel prices. Our current estimate is based on $33 WTI; sensitivity for the quarter is pretax $10 million per dollar of WTI.
- As well, there may potentially be a one-time charge for bonuses relating to intermingling, such as those to which we have already agreed with CAW (alternatively, the bonuses could be accounted for through goodwill).

In summary, the second half of the year is currently estimated to include approximately 32 to 39 cents of previously unanticipated, one-time integration costs and 20 cents of revenue hit from labour uncertainty in addition to the increased fuel.

Stepping back to gain perspective, even with all the integration noise and challenges, improved operations will have contributed enough earnings to have absorbed somewhere around 90% of the entire $150 year-over-year Q3 increase in fuel. With fuel prices as currently estimated for quarter four, we expect that year-over-year earnings improvement will exceed the year-over-year increase in fuel. The same is true for the year, in face of a fuel increase of close to one-half billion dollars. This indicates that the underlying operational performance is generating positive results, even in a profoundly transitional period.

With regard to 2001, we maintain our view that we will be able to achieve $700 million of steady state operating synergies, commencing sometime in quarter two. In our view, the biggest swing factor will be fuel, which we originally estimated at $25 WTI. Our current sensitivity to 2001 fuel is pretax $50 million for a U.S. $1 change in WTI, excluding any fare action or further hedges.

SCHEDULE "B"

Friday, October 6, 3:57 pm Eastern Time

Press Release

SOURCE: Air Canada

AIR CANADA COMMENTS ON SHARE PRICE DROP

MONTREAL, Oct.6/CNW/ - Air Canada expressed disappointment in today's fall in share price given that it appears to be based on previously available or previously disclosed information. The company believes that the retreat in share price since August was due mainly to the market's reflection of information already in the public domain.

"All of the components of the one-time reduction in third quarter earnings were previously in the public domain, and are not expected to have ongoing impact," said Rob Peterson, Executive Vice-President and Chief Financial Officer.

The one-time charges that are expect to be taken in the third quarter include charges for integration and passenger service costs relating to the acquisition of Canadian Airlines, one-time labour costs related to the settlement with Air Canada's pilots, the effect of fuel price increases, and the impact of both the pilot strike threat and the impact of United Airlines' recent operational problems on Air Canada revenue. The company reviewed this information with analysts on October 5 and 6.

"The integration and passenger service costs are expected to amount to approximately $25-$27 million higher than previously anticipated earlier in the year as was the case in the second quarter. The one-time pilot contract settlement costs of $50 million were well publicized following the federal mediator's report. Fuel price increases are well known and their impact on airlines in particular has been widely reported. We have previously discussed the impact of the pilot strike threat and United Airlines' operational problems are well known." Said Mr. Peterson.

"When the above-mentioned higher than anticipated fuel increases in September and one-time integration and labour contract settlement costs are factored out, we meet earlier analyst expectations. The fundamental business of Air Canada remains unchanged," concluded Mr. Peterson.

For further information:

Nicole Couture-Simard (Montreal), (514) 422-5788
Laura Cooke (Toronto), (416) 263-5578
Angela Mah (Vancouver), (604) 643-5660

1.3 News Releases

1.3.1 OSC Revises Time of Hearing for Buckingham Securities Corporation

FOR IMMEDIATE RELEASE
July 19, 2001

OSC REVISES TIME OF HEARING FOR BUCKINGHAM SECURITIES CORPORATION

Toronto - The Ontario Securities Commission hearing into allegations against Buckingham Securities Corporation has been re-scheduled to commence at 9 a.m. on Friday, July 20, 2001 and not at 10 a.m. as set out in the original Notice of Hearing.

For Media Inquiries:

Frank Switzer
Director, Communications
416-593-8120

For Investor Inquiries:

Call the OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.3.2 OSC Extends Temporary Cease Trade Order and Suspension of Buckingham Securities Corporation

FOR IMMEDIATE RELEASE
July 20, 2001

OSC EXTENDS TEMPORARY CEASE TRADE ORDER AND SUSPENSION OF REGISTRATION ORDER AGAINST BUCKINGHAM SECURITIES CORPORATION

Toronto – At a hearing before the Ontario Securities Commission (the "Commission") today, the Commission extended the Temporary Order made by the Commission on July 6, 2001, suspending the registration of Buckingham Securities Corporation ("Buckingham") and prohibiting trading in any securities by Buckingham, Lloyd Bruce ("Bruce"), the President and compliance officer of Buckingham, David Bromberg ("Bromberg"), a salesperson and a director of Buckingham and Harold Seidel ("Seidel").

As stated in the Temporary Order issued on July 6, 2001 (and extended today by the Commission) Buckingham has a capital deficiency of at least $1 million as at May 31, 2001, and Buckingham has failed to segregate securities held for its clients as required under Ontario securities law.

The Temporary Order further states that securities owned by clients of Buckingham are held in an account or accounts in the name of Buckingham with the following brokers: Rampart Securities Inc., W.D. Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation and Laurentian Bank Securities Inc. (collectively, referred to as the "Brokers"). Buckingham has liabilities in relation to some of the accounts and it appears that securities owned by clients are being used as security for such liabilities. The Commission also extended the Temporary Order that trading by the Brokers cease, on the term that trading cease by the Brokers only in respect of securities held in an account or accounts in the name of Buckingham with each of the Brokers.

The hearing of this matter has been adjourned.

A copy of the Notice of Hearing issued July 6, 2001, the Temporary Order issued July 6, 2001 and the Order of the Commission made today extending the Temporary Order, is attached to this release, and is also available at the Commission's website at **www.osc.gov.on.ca** or from the Commission, 19th Floor, 20 Queen Street West, Ontario.

For Media Inquiries:

Michael Watson
Director, Enforcement Branch
416-593-8156

Frank Switzer
Director, Communications
416-593-8120

For Investor Inquiries:

Call the OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.3.3 The OSC and the QSC Issue Notices of Hearing Re. Air Canada

FOR IMMEDIATE RELEASE
July 25, 2001

THE ONTARIO SECURITIES COMMISSION AND THE QUEBEC SECURITIES COMMISSION ISSUE NOTICES OF HEARING IN THE MATTER OF AIR CANADA

Toronto – Staff of the Ontario Securities Commission and Staff of the Quebec Securities Commission announced today that they have reached a proposed settlement with Air Canada. The settlement is to be considered by the Ontario Securities Commission and the Quebec Securities Commission at a joint hearing to be held at the respective Commission offices in Toronto and in Montreal on July 27th, 2001 at 9:30 a.m.

Staff of the Ontario Securities Commission ("Ontario Staff") allege that on October 5, 2000, Air Canada disclosed certain material facts to industry analysts and did not disclose those same material facts generally. Ontario Staff allege that the following day, October 6, 2000, there was a significant decline in the price of Air Canada common shares. Ontario Staff allege that the disclosure by Air Canada was selective and contrary to the public interest. Ontario Staff also allege that the selective disclosure by Air Canada was contrary to Air Canada's own disclosure policy and was in breach of its listing agreement with the TSE, and was therefore contrary to the public interest.

Details of the purposed settlement will not be released unless and until approved by each of the Ontario Commission and the Quebec Commission. Copies of the Notice of Hearing issued by the Ontario Securities Commission and Statement of Allegation filed by Ontario Staff are available at **www.osc.gov.on.ca.**

For Media Inquiries:

Michael Watson
Director, Enforcement Branch
416-593-8156

For Investor Inquiries:

Call the OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.3.4 Buckingham Securities Corp. - Court Appointment of BDO Dunwoody Ltd. as Receiver and Manager

FOR IMMEDIATE RELEASE
July 26, 2001

BUCKINGHAM SECURITIES CORPORATION - COURT APPOINTMENT OF BDO DUNWOODY LIMITED AS RECEIVER AND MANAGER

Toronto - The Ontario Securities Commission today made an application to the Ontario Superior Court of Justice (the "Court") for the appointment of BDO Dunwoody Limited as Receiver and Manager of Buckingham Securities Corporation ("Buckingham"). Following the hearing today, which was not opposed by Buckingham, the Court appointed BDO Dunwoody Limited as Receiver and Manager of Buckingham.

At a hearing before the Commission held Friday, July 20, 2001, the Commission extended the Temporary Order made by the Commission on July 6, 2001, suspending the registration of Buckingham and prohibiting trading in any securities by Buckingham, Lloyd Bruce ("Bruce"), the President and compliance officer of Buckingham, David Bromberg ("Bromberg"), a salesperson and a director of Buckingham and Harold Seidel ("Seidel").

As stated in the Temporary Order issued on July 6, 2001 (and extended today by the Commission) Buckingham has a capital deficiency of at least $1 million as at May 31, 2001, and Buckingham has failed to segregate securities held for its clients as required under Ontario securities law.

The Temporary Order further states that securities owned by clients of Buckingham are held in an account or accounts in the name of Buckingham with the following brokers: Rampart Securities Inc., W.D. Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation and Laurentian Bank Securities Inc. (collectively, referred to as the "Brokers"). Buckingham has liabilities in relation to some of the accounts and it appears that securities owned by clients are being used as security for such liabilities. The Commission also extended the Temporary Order that trading by the Brokers cease, on the term that trading cease by the Brokers only in respect of securities held in an account or accounts in the name of Buckingham with each of the Brokers.

The hearing of the matter before the Commission has been adjourned.

A copy of the Notice of Hearing issued July 6, 2001, the Temporary Order dated July 6, 2001 and the Order of the Commission dated July 20, 2001 extending the Temporary Order, is available at the Commission's website at www.osc.gov.on.ca or from the Commission, 19th Floor, 20 Queen Street West, Ontario.

For Media Inquires:

Michael Watson
Director, Enforcement Branch
416-593-8156

Frank Switzer
Director, Communications
416-593-8120

For Investor Inquires:

BDO Dunwoody Limited
416-369-3053
OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

This Page Intentionally left blank

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Frank Russell Canada Limited et al. - MRRS Decision

Headnote

Exemptions from the mutual fund self-dealing prohibitions of clauses 111(2)(a) and 111(3) of the *Securities Act* (Ontario) to allow certain mutual funds to invest in issuers who are substantial security holders of the mutual funds' distribution companies.

Statutes Cited

Securities Act (Ontario), R.S.O. 1990 c.S.5, as am., 111(2)(a) and 111.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO, NOVA SCOTIA, AND NEWFOUNDLAND

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
FRANK RUSSELL CANADA LIMITED
ALL EQUITY PORTFOLIO
ALL EQUITY RSP PORTFOLIO

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application (the "Application") from Frank Russell Canada Limited ("FRC") on behalf of All Equity Portfolio and All Equity RSP Portfolio (the "Funds") for a decision (the "Decision") pursuant to the securities legislation of the Jurisdictions (the "Legislation") exempting the Funds from the provisions prohibiting a mutual fund from knowingly making and holding an investment in any person or company who is a substantial security holder of its distribution company (the "Investment Prohibition").

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS it has been represented by FRC to the Decision Makers that:

1. FRC is a corporation established under the laws of Canada with its head office in Toronto, Ontario. FRC is the manager and trustee of the Funds.

2. The sole shareholder of FRC is Frank Russell Company (the "Parent") who is registered as an investment adviser with the Securities Exchange Commission ("SEC") and the State of Washington, as a commodity trading adviser and commodity pool operator with the National Futures Association on behalf of the Commodity Futures Trading Commission, and as a Commodity Trading Manager - Non-Resident with the Ontario Securities Commission.

3. The Funds are open-ended investment trusts established under the laws of the Province of Ontario. Each Fund is a reporting issuer in each of the provinces and territories of Canada where Class B units (the "Units") of the Fund are sold pursuant to a prospectus accepted by the decision maker in such jurisdictions. Each Fund is not in default of any requirement of the Legislation.

4. The Funds invest in units of Russell Canadian Equity Fund, Russell US Equity Fund and Russell Overseas Equity Fund (the "Underlying Funds") as disclosed in their prospectus. FRC is responsible for monitoring the Funds' investments in the Underlying Funds and rebalancing the Funds' weightings in the Underlying Funds as necessary.

5. Except to the extent evidenced by this Decision and specific approvals granted by the Canadian securities administrators pursuant to National Instrument 81-102, the investments by the Funds have been structured to comply with the investment restrictions of the Legislation and National Instrument 81-102.

6. Units of the Funds are offered for sale to investors by RBC Dominion Securities Inc., RBC ActionDirect and Royal Mutual Funds Inc. (the "Dealers"), as distributors under the terms of a distributorship agreement between RBC Dominion Securities Inc. and FRC dated August 4, 2000.

7. RBC Dominion Securities Inc. is a registered investment dealer and a member of The Toronto Stock Exchange (the "TSE").

8. The Dealers are subsidiaries of the Royal Bank of Canada ("RBC"), a publicly listed Canadian chartered bank.

9. In addition to the distributorship agreement with the Dealers, FRC intends to enter into distributorship agreements for the sale of Units of the Funds with a limited number of other registered investment dealers that have a publicly traded company as a substantial security holder (upon entering into such agreement with FRC, such dealer is referred to as an "Other Dealer" and such substantial security holder as an "Other Listed ParentCo").

10. Although FRC is the adviser for the Underlying Funds, neither FRC nor the Parent engages in the stock selection for the Underlying Funds or purchases or sells securities for the Underlying Funds, except as described in paragraphs 11 and 12 below. It is the practice of FRC to appoint and monitor various sub-advisers (the "Portfolio Advisers") who have the discretion to make the stock selections for the Underlying Funds. Neither FRC nor the Parent influences the decisions of the Portfolio Advisers as to the purchase or sale of specific securities or securities of a specific issuer or class or group of issuers. With the exception of the Parent, the Portfolio Advisers are not affiliates or associates of FRC and act on an arm's length basis with FRC.

11. Despite the statements in paragraph 10 above, FRC does provide advice respecting the purchase and sale of securities of the Underlying Funds with respect to Nortel Networks Corporation or any other issuer whose weighting exceeds 10% of the TSE Composite 300 Index. In addition, the Parent provides advice to the Funds and the Underlying Funds with respect to the purchase and sale of index future contracts (together the "FRC Investments").

12. If at any time a Portfolio Adviser of an Underlying Fund resigns or is removed, FRC may make the investment decisions for such Underlying Fund that are within the mandate of the former Portfolio Adviser until the earlier of:

    (a) the date when FRC appoints a replacement Portfolio Adviser for the Underlying Fund; and

    (b) 60 days from the resignation or removal of the former Portfolio Adviser.

13. By employing a combination of qualitative and quantitative measurements, FRC selects the Portfolio Advisers which it believes have consistent ability to achieve superior results within specific asset classes and investment styles.

14. Each Portfolio Adviser has complete discretion to purchase and sell securities for its segment of the portfolio of an Underlying Fund, subject only to the Underlying Fund's investment objective, policies and restrictions. The Underlying Funds currently hold securities of RBC and of issuers that may become an Other Listed ParentCo.

15. In the absence of this Decision, a Fund is prohibited by the Legislation from knowingly making and holding an investment in a person or company who is a substantial security holder of its distribution company. In the absence of this Decision, a Fund cannot invest in an Underlying Fund if the Underlying Fund makes or holds an investment in a person or company who is a substantial security holder of the Dealers or Other Dealers.

16. The investment by the Funds in the Underlying Funds and the investment by the Underlying Funds in the securities of RBC or an Other Listed ParentCo (each an "Issuer") represents the business judgement of responsible persons uninfluenced by considerations other than the best interests of the Funds or the Underlying Funds.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker;

AND UPON each of the Decision Makers being satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Investment Prohibition does not apply so as to prohibit the Funds, through their investment in the Underlying Funds, from knowingly making or holding an investment in an Issuer,

PROVIDED THAT the Decision shall only apply if at the time a Fund makes or holds an investment in an Issuer the following conditions are satisfied:

(a) no affiliate or associate of the applicable Issuer acts as a Portfolio Adviser for the Underlying Fund with respect to such investment;

(b) no affiliate or associate of, or any person acting on a non-arm's length basis with, the Dealers or Other Dealers acts as a Portfolio Adviser for the Underlying Fund with respect to such investment;

(c) FRC is not associated, affiliated or acting on a non-arm's length basis with the Dealers or Other Dealers, or any of their respective affiliates or associates, with respect to such investment;

(d) the Portfolio Advisers are not associates or affiliates of FRC and act at arm's length with FRC;

(e) none of FRC, the Parent or any of their respective affiliates, associates or substantial security holders in fact influences or has taken any action to influence any investment decision of a Portfolio Adviser (other than the Parent) of the Underlying Fund with respect to the purchase, sale or holding of any securities of an Issuer except for the FRC Investments;

(f) there is no agreement, arrangement or understanding in effect that would enable the Dealers or any Other Dealer, or their respective affiliates or associates, to influence any investment decision of any Portfolio Adviser of the Underlying Fund;

(g) none of FRC, the Parent or any of their respective affiliates, associates or substantial security holder makes or participates in making any investment decision with respect to the purchase, sale or holding by the Underlying Fund of any securities of an Issuer with the exception of:

(i) the FRC Investments; and

(ii) the investment decisions made by FRC for the Underlying Fund in the circumstances described in paragraph 12 above, except that no such decision shall involve the purchase of securities of an Issuer;

(h) the simplified prospectus of the Fund contains disclosure as to:

(i) all of the terms and conditions of this Decision;

(ii) the holdings of the Funds, through the Underlying Funds, and the aggregate yearly purchases or sales by the Underlying Funds of securities of any Issuer and that FRC has determined that such investments and holdings satisfy the conditions of this Decision;

(iii) the issuing of a press release when any change is made to a Portfolio Adviser;

(iv) the website where a current list of Portfolio Advisers can be obtained;

(v) the sending of quarterly updates to all unitholders which describe any Portfolio Adviser changes which have been made; and

(vi) the ability of unitholders to receive a current list of Portfolio Advisers upon request, including how such requests can be made; and

(i) the Fund files an amendment to its simplified prospectus within 10 days after a Portfolio Adviser is replaced by a new Portfolio Adviser or FRC hires an additional Portfolio Adviser, naming the replacement or additional Portfolio Adviser, if such new or additional Portfolio Adviser is an associate or affiliate of the Dealers or any Other Dealer.

July 17, 2001.

"Paul Moore" "R. Stephen Paddon"

2.1.2 Frank Russell Canada Limited et al. - MRRS Decision

Headnote

Investment by Top Funds in securities of Underlying Funds under common management for specified purpose exempted from the reporting requirements and self-dealing prohibitions of clauses 111(2)(b), 111(3) and clauses 117(1)(a) and (d).

Statutes Cited

Securities Act (Ontario), R.S.O. 1990 c.S.5, as am., 111(2)(b), 111(3), 117(1)(a) and 117(1)(d).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO, NOVA SCOTIA AND NEWFOUNDLAND

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
FRANK RUSSELL CANADA LIMITED
ALL EQUITY PORTFOLIO
ALL EQUITY RSP PORTFOLIO

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (collectively, the "Decision Makers") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland (collectively the "Jurisdictions") has received an application (the "Application") from Frank Russell Canada Limited ("FRC"), for itself and on behalf of the All Equity Portfolio and the All Equity RSP Portfolio (each a "Top Fund" and collectively the "Top Funds") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the following restrictions and requirements contained in the Legislation (the "Requirements") shall not apply to the purchase and sale by a Top Fund of units of Russell Canadian Equity Fund, Russell US Equity Fund, Russell Overseas Equity Fund or other mutual funds established by FRC from time to time (individually an "Underlying Fund" and collectively the "Underlying Funds"):

1. the Requirement prohibiting a mutual fund from knowingly making or holding an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial security holder; and

2. the Requirement that a management company, or in British Columbia a mutual fund manager, file a report relating to a purchase or sale of securities between the mutual fund and any related person or company, or any

transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, the mutual fund is a joint participant with one or more of its related persons or companies.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for the Application;

AND WHEREAS it has been represented by FRC to the Decision Makers that:

1. FRC is a corporation established under the laws of Canada with its head office in Toronto, Ontario. FRC is the manager, promoter and the trustee of each of the Top Funds and the Underlying Funds.

2. The Top Funds and the Underlying Funds are open-ended investment trusts established under the laws of the Province of Ontario. Class B units of the Top Funds and Class B units of the Underlying Funds (each hereinafter referred to as "Units") are or will be offered for sale by simplified prospectuses and annual information forms (the "Top Prospectus" and "Underlying Prospectus" respectively) that have been filed and accepted by the Decision Makers. Each of the Top Funds and the Underlying Funds are or will be reporting issuers in each of the provinces and territories of Canada.

3. Each of the Top Funds and Underlying Funds is not and will not be in default of any requirements of the Legislation.

4. To achieve its investment objective, each Top Fund will invest fixed percentages (the "Fixed Percentages") of its net assets (excluding cash and cash equivalents) in the Units of specified Underlying Funds, subject to a permitted deviation, due to market fluctuations, of not more than 2.5% above or below the Fixed Percentages (the "Permitted Ranges").

5. The Top Prospectus will disclose the investment objectives, investment strategies, risks and restrictions of each Top Fund and Underlying Fund, the Fixed Percentages and the Permitted Ranges.

6. Except to the extent evidenced by this Decision and specific approvals granted by the Decision Makers pursuant to National Instrument 81-102 Mutual Funds ("NI 81-102") the investments by the Top Funds in the Underlying Funds have been structured to comply with the investment restrictions of the Legislation and NI 81-102.

7. In the absence of this Decision, pursuant to the Legislation, a Top Fund is prohibited from knowingly making or holding an investment in a person or company in which the Top Fund, alone or together with one or more related mutual funds, is a substantial security holder. As a result, in the absence of this Decision, the Top Funds would be required to divest themselves of any such investments.

8. In the absence of this Decision, the Legislation requires FRC to file a report on every purchase or sale of securities of the Underlying Funds by the Top Funds.

9. The investment in, or redemption of, Units of the Underlying Funds by a Top Fund will represent the business judgment of "responsible persons" (as defined in the Legislation) uninfluenced by considerations other than the best interests of the Top Fund.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Requirements shall not apply so as to prevent a Top Fund from making or holding an investment in Units of the Underlying Funds or require FRC to file a report relating to the purchase or sale of such securities.

PROVIDED IN EACH CASE THAT:

1. this Decision, as it relates to the jurisdiction of a Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with the matters addressed by section 2.5 of NI 81-102; and

2. the Decision shall only apply if, at the time a Top Fund makes or holds an investment in its Underlying Funds, the following conditions are satisfied:

   (a) the Units of both the Top Fund and the Underlying Funds are offered for sale in the jurisdiction of the Decision Maker pursuant to a simplified prospectus and annual information form which has been filed with and accepted by the Decision Maker;

   (b) the investment by the Top Fund in the Underlying Funds is compatible with the fundamental investment objectives of the Top Fund;

   (c) the Top Prospectus discloses the intent of the Top Fund to invest in Units of the Underlying Funds, the names of the Underlying Funds, the Fixed Percentages and the Permitted Ranges within which such Fixed Percentages may vary;

   (d) the investment objective of the Top Fund discloses that the Top Fund invests in securities of other mutual funds;

   (e) the Underlying Funds are not mutual funds whose investment objective includes investing directly or indirectly in other mutual funds;

   (f) the Top Fund invests its assets (exclusive of cash and cash equivalents) in the Underlying

Funds in accordance with the Fixed Percentages disclosed in the Top Prospectus;

(g) the Top Fund's holdings of Units of the Underlying Funds do not deviate from the Permitted Ranges;

(h) any deviation from the Fixed Percentages is caused by market fluctuations only;

(i) if an investment by the Top Fund in any of the Underlying Funds deviates from the Permitted Ranges as a result of market fluctuations, the Top Fund's investment portfolio is re-balanced to comply with the Fixed Percentages on the next day on which the net asset value is calculated following the deviation;

(j) if the Fixed Percentages and the Underlying Funds which are disclosed in the Top Prospectus are going to be changed, either the Top Prospectus is amended or a new simplified prospectus is filed to reflect the change, and the securityholders of the Top Fund are given at least 60 days' notice of the change;

(k) there are compatible dates for the calculation of the net asset value of the Top Fund and the Underlying Funds for the purpose of the issue and redemption of Units of such mutual funds;

(l) no sales charges are payable by the Top Fund in relation to its purchases of Units of the Underlying Funds;

(m) no redemption fees or other charges are charged by an Underlying Fund in respect of the redemption by the Top Fund of Units of the Underlying Fund owned by the Top Fund;

(n) no fees or charges of any sort are paid by the Top Fund and the Underlying Funds, by their respective managers or principal distributors, or by any affiliate or associate of any of the foregoing entities, to anyone in respect of the Top Fund's purchase, holding or redemption of Units of the Underlying Funds;

(o) the arrangements between or in respect of the Top Fund and the Underlying Funds are such as to avoid the duplication of management fees;

(p) any notice provided to securityholders of an Underlying Fund as required by applicable laws or the constating documents of that Underlying Fund is delivered by the Top Fund to its securityholders;

(q) all of the disclosure and notice material prepared in connection with a meeting of securityholders of the Underlying Funds and received by the Top Fund are provided to its securityholders, the securityholders are permitted to direct a representative of the Top Fund to vote its holdings in the Underlying Fund in accordance with their direction, and the representative of the Top Fund does not vote its holdings in the Underlying Fund except to the extent the securityholders of the Top Fund have directed;

(r) in addition to receiving the annual and, upon request, the semi-annual financial statements of the Top Fund, securityholders of the Top Fund are provided with appropriate summary disclosure in respect of the Top Fund's holdings of Units of the Underlying Funds in the financial statements of the Top Fund; and

(s) to the extent that the Top Fund and the Underlying Funds do not use a combined simplified prospectus and annual information form containing disclosure about the Top Fund and the Underlying Funds, copies of the Underlying Prospectus are provided upon request to securityholders of the Top Fund and the right to receive these documents is disclosed in the Top Prospectus.

July 17, 2001.

"Paul Moore" "R. Stephen Paddon"

2.1.3 CanIssue Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – subsection 74(1) exemption - corporation operating website to facilitate certain dealers' "book-building" activities exempt from subsection 25(1) of the Act, subject to certain conditions.

Applicable Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25(1), and 74(1).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK, NOVA SCOTIA, NEWFOUNDLAND, PRINCE EDWARD ISLAND, YUKON, NORTHWEST TERRITORIES AND NUNAVUT

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
CANISSUE INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the **"Decision Maker"**) in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Newfoundland, Prince Edward Island, Yukon, Northwest Territories and Nunavut (the **"Jurisdictions"**) has received an application from CanIssue Inc. (the **"Filer"**) for a decision under the securities legislation of the Jurisdictions (the **"Legislation"**) that the requirement contained in the Legislation to be registered as a dealer if trading in a security shall not apply to the Filer;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the **"MRRS System"**), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. The Filer is incorporated under the *Business Corporations Act* (Ontario) for the purpose of owning and operating on behalf of certain dealers an Internet website accessible through the website www.canissue.ca (the **"Website"**). The initial shareholders of the Filer will be BMO Nesbitt Burns Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., National Bank Financial Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. (collectively, together with any additional shareholders from time to time, the **"Dealers"**). Except as may be otherwise determined by the shareholders, only a shareholder of the Corporation may be a participating dealer in the System (as defined below) owned and operated by the Filer on behalf of the Dealers.

2. The Filer is a vehicle to facilitate the shared ownership and operation of the Website by the Dealers, avoiding the need for each of them to develop its own technology, operate a website and bear the development and operating costs thereof.

3. It is not intended that the Filer have any employees or place of business. The software technology developed to operate the Website will be owned by the Filer, and an outsourcing agreement will be entered into between the Filer and an application service provider so that the Filer will not need to own or maintain computer hardware, nor be responsible for overseeing the operation of the software. The **"System Administrator"** will be responsible for administering the day-to-day operations of the Filer; these are expected to be minimal and include maintaining the corporate and financial records of the Filer. Each of the Dealers will serve a six-month rotating term as the System Administrator.

4. The Filer will be operated on a non-profit basis and will not make any dividends or other distributions to its shareholders. The Dealers will pay annual fees to the Filer calculated to cover the cost of operating, maintaining and upgrading the Website.

5. The Website will enable the electronic posting and delivery of offering documents, issuer information, rating agency reports and investor presentations with respect to new domestic fixed-income securities of non-government issuers (**"New Issues"**), the communication of expressions of interest in respect of New Issues and review of their status, and the e-mailing of information regarding New Issues (the **"System"**). The System will facilitate the distribution of New Issues to Canadian offices of banks, trust companies, investment dealers or brokers or other financial institutions; pension funds; investment counsellors or managers; mutual funds; or federal, provincial or municipal governments, crown agents or crown corporations (collectively, **"Institutional Clients"**) by the Dealers. The System provides an electronic alternative to certain aspects of the current bookbuilding process conducted by the Dealers by telephone and by the delivery of documents by mail.

6. The System will be available to Institutional Clients of the Dealers with respect to New Issues offered by prospectus or private placement in the Jurisdictions. The System may be used for a New Issue if any of the Dealers acts as an underwriter or agent in respect of that New Issue and if it chooses to post the New Issue on the Website, though it is not obliged to do so.

7. Each of the Dealers is required to be registered in any Jurisdiction in which it carries on trading activities through the System, if registration is required in that Jurisdiction, and to conduct its trading activities through the System in accordance with applicable securities laws.

8. To have access to the System, an Institutional Client must be on the approved exempt coverage list maintained by the System Administrator.

9. In respect of any New Issue, an Institutional Client authorized to use the System will be assigned to a particular Dealer. A covering Dealer's salespersons will be responsible for monitoring and acting as the contact for the Institutional Clients assigned to that Dealer in respect of a New Issue.

10. Dealers are responsible for ensuring that suitability obligations are met with respect to any authorized client assigned to it in respect of any New Issue and for dealing with any disputes arising out of the use of the System by their respective clients.

11. When an Institutional Client authorized to use the System first logs onto the Website, it will be required to accept certain terms and conditions (the **"Agreement"**) pertaining to its use of, and its dealings on, the Website from time to time. Among other things, the Agreement will require the Institutional Client to acknowledge that the services made available through the System are not provided by the Filer but are only made available through a website owned and operated by it, that the client's dealings in respect of any New Issue will be with the particular Dealer assigned to cover it in respect of that New Issue only, and that the information or documents provided to the client on a Dealer's web pages are provided by that Dealer only and any information or documents e-mailed to it in respect of that New Issue will be from that Dealer only. The Agreement will also provide for the Institutional Client's consent to the electronic delivery of documents in accordance with National Policy 11-201.

12. Each Dealer will have its own subset of web pages on the Website. When an authorized Institutional Client accesses the Website, subject to having accepted the Agreement, and clicks onto a New Issue listed to obtain information or documents with respect to that New Issue, it will automatically be linked to the subset of web pages on the Website of the Dealer which has been assigned to cover that client with respect to that New Issue. Each web page of a Dealer will include a notice that the information or documents provided on that page are provided to the Institutional Client by the particular Dealer indicated on the page. Information or documents with respect to a New Issue may only be accessed through a Dealer's subset of web pages on the Website.

13. Institutional Clients authorized to use the System will be able to (i) review offering documents for New Issues; (ii) review issuer information relating to New Issues and incorporated by reference in the prospectus; (iii) review rating agency reports relating to New Issues; (iv) review investor presentations relating to New Issues; (v) communicate expressions of interest in respect of New Issues to the relevant covering Dealer; and (vi) view, for informational purposes, the status of their own expressions of interest previously communicated in respect of such New Issues. Offering documents and messages regarding the status of the New Issue and the bookbuilding process may also be e-mailed to the Institutional Clients on behalf of the relevant covering Dealer.

14. The lead underwriter for a particular New Issue which is to be posted on the System will be responsible for inputting and/or posting the relevant information with respect to that New Issue on the Website.

15. The Filer is not responsible for the preparation or review of any information or documents relating to any New Issue.

16. The Dealers have the sole discretion whether to fill or partially fill any order for securities of a New Issue and an expression of interest will only become a binding order once permitted under applicable securities laws and confirmed by the relevant covering Dealer.

17. No settlement occurs through the System.

AND WHEREAS under the MRRS System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the **"Decision"**);

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Filer not be required to be registered as a dealer provided that:

1. the Filer report to the Decision Makers any material changes in its operations;

2. the Filer require the dealers participating in the System to conduct their trading activities with Institutional Clients through the System in accordance with applicable securities laws;

3. dealers participating in the System and offering access to the System to Institutional Clients in any Jurisdiction be a registered dealer in that Jurisdiction, if registration is required in connection with the relevant trading activities through the System;

4. the Agreement governing access to the Website and use of the System by Institutional Clients include specific provisions regarding the allocation of responsibilities and liabilities between the dealers and the Filer; and that the web pages on the Website clearly identify which of the participating dealers is dealing with an Institutional Client in respect of any particular New Issue;

5. the unanimous shareholder agreement of the Filer include specific provisions regarding the allocation of responsibilities among all dealers participating in the System, and between the participating dealers, the lead underwriter for any New Issue and the System Administrator;

6. CanIssue will maintain a copy of all information submitted via the System by Institutional Clients and Dealers in respect of New Issues for at least three years;

7. the Filer deliver to any Decision Maker at such time or times as such Decision Maker may require, any of the books, records and documents (including the information submitted via the System by Institutional Clients and Dealers in respect of New Issues) of the Filer; and

8. any person designated in writing by any Decision Maker may (a) enter the business premises of the Filer during business hours; and (b) inquire into and examine the books, records and documents (including the information submitted via the System by Institutional Clients and Dealers in respect of New Issues) of the Filer and make copies thereof.

July 3, 2001.

"J.A. Geller" "R. Stephen Paddon"

2.1.4 Salter Street Films Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Issuer has only one security holder - issuer deemed to have ceased being a reporting issuer.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am. s. 83.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, ALBERTA, NEWFOUNDLAND,
NOVA SCOTIA,QUEBEC AND SASKATCHEWAN

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
SALTER STREET FILMS LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the **"Decision Maker"**) in each of the Provinces of Alberta, Newfoundland, Nova Scotia, Ontario, Quebec and Saskatchewan (each a **"Jurisdiction"**) has received an application from Salter Street Films Ltd. (the **"Filer"**) for a decision under the securities legislation of each of the Jurisdictions (the "Legislation") that the Filer be deemed to have ceased to be a reporting issuer under the Legislation;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the **"System"**), the Nova Scotia Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. The Filer is a corporation amalgamated under the laws of Canada and is a reporting issuer not in default in each of the Jurisdictions.

2. The Filer's head office is located in Halifax, Nova Scotia.

3. As of June 28, 2001, the authorized capital of the Filer consisted of an unlimited number of common shares and an unlimited number of preference shares of which the following shares are issued and outstanding:

   (a) 20 common shares; and

   (b) Nil preference shares.

4. All of the issued and outstanding common shares of the Filer are owned by Alliance Atlantis Communications Inc. (**"Alliance Atlantis"**).

5. The Filer resulted from the amalgamation (the **"Amalgamation"**) of Salter Street Films Limited (**"Original Salter Street"**) and 3822796 Canada Limited, a wholly-owned subsidiary of Alliance Atlantis.

6. As Original Salter Street was a reporting issuer or the equivalent in each of the Jurisdictions at the time of the Amalgamation, the Filer became a reporting issuer or the equivalent in each of the Jurisdictions as a result of the Amalgamation.

7. Under the terms of the Amalgamation, shareholders of Original Salter Street (other than Alliance Atlantis) received either:

   (a) Class B non-voting shares in the capital of Alliance Atlantis (the **"Class B Shares"**); or

   (b) preferred shares in the capital of the Filer (**"Preferred Shares"**) and Class B Shares.

8. The Preferred Shares were redeemed as of April 19, 2001.

9. The subordinate voting shares of Original Salter Street were delisted from The Toronto Stock Exchange and no securities of the Filer are listed or quoted on any exchange or market.

10. The Filer has no securities, including debt securities, outstanding other than the common shares owned by Alliance Atlantis.

11. The Filer does not intend to seek public financing by way of an offering of its securities.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the **"Decision"**);

AND WHEREAS each Decision Maker is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Filer is deemed to have ceased to be a reporting issuer under the Legislation.

July 11, 2001.

"H. Leslie O'Brien"

2.1.5 Sprott Securities Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - trades by mutual funds of additional units to existing unitholders who hold units having an aggregate acquisition cost or aggregate net asset value equal to or greater than prescribed amount not subject to registration and prospectus requirements of the Legislation – trades by mutual funds exempt from requirement to file a report of such trades within the days of the trade, subject to certain conditions – applicant exempt from certain conflict of interest provisions, subject to certain restrictions.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 53, 74(1), 72(3).

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 223, 224(1)(a), 226, 227, 228, 230(2).

Applicable Ontario Rules

Rule 45-501 Exempt Distributions (1998) 21 OSCB 6548.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, BRITISH COLUMBIA, MANITOBA,
NEW BRUNSWICK, NEWFOUNDLAND, NOVA SCOTIA,
PRINCE EDWARD ISLAND,
SASKATCHEWAN AND ONTARIO

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
SPROTT SECURITIES INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island, Saskatchewan and Ontario (the "Jurisdictions") has received an application from Sprott Securities Inc. (the "Applicant"), the investment manager of Sprott Hedge Fund L.P. (the "Partnership"), for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation"):

(i) that certain trades in Subscribed Units and Reinvested Units (each as defined below) to existing holders of units ("Units") in the Partnership or of other limited partnerships or pooled fund trusts to be established by

the Applicant or an affiliate of the Applicant and managed by the Applicant (collectively, the "Other Funds") are not subject to certain of the registration and prospectus requirements contained in the applicable Legislation, subject to certain conditions;

(ii) that trades in Units of the Partnership or the Other Funds are not subject to certain of the reporting requirements in the applicable Legislation, provided that a report of such trades in accordance with the form requirements prescribed by the Decision Makers and the prescribed fee are filed within 30 days of each financial year end of the Partnership or such Other Funds, as the case may be, subject to certain conditions; and

(iii) that certain of the conflict of interest provisions contained in the applicable Legislation shall not apply to the distribution of the Units of the Partnership or the Other Funds, subject to certain conditions;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Applicant has represented to the Decision Makers that:

1. The Applicant is a corporation incorporated under the laws of the Province of Ontario for the purpose of advising with respect to securities. The Applicant has been engaged to provide investment advisory services to the Partnership and is responsible for the investment management of the Partnership's assets.

2. The Partnership was formed under the laws of the Province of Ontario by filing a Declaration of Limited Partnership under the *Limited Partnerships Act* (Ontario) on October 27, 2000. An additional Declaration of Limited Partnership was filed on December 7, 2000 to add the French name of the Partnership, namely, "Fonds de Couverture Sprott S.E.C".

3. Sprott Genpar Ltd., a corporation incorporated under the laws of the Province of Ontario, is the general partner of the Partnership. Sprott Asset Management Limited, a corporation incorporated under the laws of the Province of Ontario, is responsible for the administrative management of the Partnership on a day-to-day basis. Both Sprott Genpar Ltd. and Sprott Asset Management Limited are affiliates of the Applicant.

4. The Applicant is registered in Ontario as a dealer in the categories of investment dealer and broker, in British Columbia as an underwriter, in Alberta as a non-resident broker and investment dealer, in Quebec as a broker, and in Newfoundland as an underwriter.

5. The Applicant makes available to its clients the Units of the Partnership and may make available, from time to time, Units of the Other Funds. The Applicant will be responsible for the investment management of the assets of the Other Funds.

6. The Applicant coordinates the distribution of the Units of the Partnership and will co-ordinate the distribution of Units of the Other Funds. The Units of the Partnership and the Other Funds will be distributed on a continuous basis and will be offered to residents in the Jurisdictions.

7. The distribution of the Units of the Partnership are, and the distribution of Units of the Other Funds will be, subject to the registration and prospectus requirements contained in the Legislation (the "Registration and Prospectus Requirements").

8. None of the Partnership or the Other Funds is, or expects to become, a "reporting issuer" (or equivalent) as such term is defined in the Legislation.

9. The Partnership is, and each of the Other Funds will be, a "mutual fund" within the meaning of the Legislation. In addition, the Partnership is, and each of the Other Funds will be, a "mutual fund in Ontario" as defined in certain of the Legislation.

10. The Partnership is, and each of the Other Funds will be, required by its constating document to deliver to its Unitholders annual audited financial statements within 90 days of the fiscal year end of the Partnership or Other Fund, as the case may be. The Partnership also provides to its Unitholders, within 30 days of the end of each fiscal quarter, an unaudited performance report. In addition, the Partnership is, and the Other Funds will be, subject to the requirement to file and deliver financial statements in Ontario.

11. The Units of the Partnership and of the Other Funds will not be offered by a prospectus. However, an offering memorandum (containing rights of action and rescission as required under the Legislation of the applicable Jurisdictions) will be delivered to prospective investors in respect of the Partnership and the Other Funds.

12. The Units of the Partnership are not, and the Units of the Other Funds will not be, transferrable. However, the Units of the Partnership are, and the Units of the Other Funds will be, redeemable at the request of the holder at their net asset value determined in accordance with the limited partnership agreement of each of the Partnership and the Other Funds. The Partnership has, and the Other Funds may have, additional restrictions on the right to redeem.

13. The minimum initial investment (the "Initial Investment") in the Units of the Partnership and of the Other Funds by an investor will not be less than $150,000 in Ontario, Saskatchewan and Nova Scotia; $97,000 in Alberta, British Columbia, Manitoba, New Brunswick and Prince Edward Island; and $100,000 in Newfoundland (in each case, the "Prescribed Amount").

14. The Initial Investment will be made in reliance upon the registration and prospectus exemptions contained in the applicable Legislation.

15. Following an Initial Investment in the Partnership or the Other Funds by an investor, it is proposed that Unitholders be permitted to acquire additional Units ("Subscribed Units") of the Partnership or Other Funds, as the case may be, with an aggregate acquisition cost that is less than the Prescribed Amount by subscribing and paying for Additional Units in cash or securities other than Units.

16. Following an Initial Investment in the Partnership or the Other Funds by an investor, it is proposed that Unitholders also be permitted to acquire additional Units ("Reinvested Units", and collectively with the Subscribed Units, "Additional Units") of the Partnership or Other Funds, as the case may be, with an aggregate acquisition cost that is less than the Prescribed Amount by automatically reinvesting distributions or dividends otherwise receivable by the Unitholder which are attributable to outstanding Units of the Partnership or the Other Funds unless otherwise requested by the Unitholder.

17. The Partnership is, and each of the Other Funds will be, subject to the reporting requirements (the "Reporting Requirements") contained in certain of the Legislation, pursuant to which each of the Partnership and the Other Funds must file a report of an Initial Investment or a subscription for Additional Units of the Partnership or of the Other Funds.

18. The Applicant is subject to certain conflict of interest provisions contained in the applicable Legislation, specifically (a) the prohibition on registrants acting as an advisor in respect of securities of a connected issuer or a registrant (the "Advisor Restrictions"), (b) the requirement for a registrant to prepare and to file with the applicable Decision Makers a statement of conflict policies and to provide a copy of such policies to its clients, (c) the requirement that trade confirmations containing disclosure about the dealer's relationship with the issuer of the securities to which the confirmation relates be delivered by the dealer to the customer, and (d) the prohibition on registrants acting as underwriters or special selling group members, as defined in the applicable Legislation, in connection with an initial distribution of securities issued by a related and connected party to the registrant (collectively, the "Conflict of Interest Provisions").

19. The Applicant acts in a similar capacity with respect to the Units and Additional Units of the Partnership and Other Funds as does a mutual fund dealer or fully registered dealer with respect to associated mutual fund securities.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers (other than the Decision Makers in Alberta, British Columbia, Nova Scotia and Saskatchewan) pursuant to the applicable Legislation is that the Registration and Prospectus Requirements do not apply to the purchase of the Additional Units provided that:

(a) this Decision, as it relates to the jurisdiction of a Decision Maker, shall terminate 90 days after the publication in final form of any legislation or rule of that Decision Maker regarding trades in securities of pooled funds;

(b) at the time of the acquisition of Additional Units of the Partnership or such Other Fund, the Unitholder who made the Initial Investment in the Partnership or such Other Fund of at least the Prescribed Amount then owns Units of the Partnership or such Other Fund, as the case may be, having an aggregate purchase price or net asset value of not less than the Prescribed Amount;

(c) at the time of the acquisition of Additional Units of the Partnership or such Other Fund, the Applicant or any market intermediary assisting the Applicant in selling the Units in Ontario or Newfoundland is registered under the applicable Legislation as a dealer in the appropriate category and such registration is in good standing; and

(d) no sales charge is payable with respect to the purchase of Reinvested Units; and

THE FURTHER DECISION of the Decision Makers (other than the Decision Maker in Manitoba) pursuant to the applicable Legislation is that the Reporting Requirements do not apply to trades in Units of the Partnership or the Other Funds, provided that:

(a) within 30 days after each financial year end of the Partnership or the Other Funds, as the case may be, the Applicant files a report in accordance with the form requirements prescribed by the respective Decision Maker in respect of trades in Units of the Partnership or the Other Funds during such financial year; and

(b) within 30 days after each financial year end of the Partnership and the Other Funds, the Applicant remits the applicable fee on behalf of the Partnership or such Other Funds;

THE FURTHER DECISION of the Decision Makers in each of Ontario and Newfoundland is that the Applicant is exempt from the Conflict of Interest Provisions under the applicable Legislation provided that:

(a) in respect of the distribution of the Units or Additional Units of the Partnership or such Other Funds, the Applicant, before acquiring

discretionary authority, secures the specific and informed consent of the client for the exercise of discretionary authority in respect of the Units or Additional Units of the Partnership or such Other Funds; and

(b) with respect to the Conflict of Interest Provisions other than the Advisor Restriction, this Decision shall terminate 90 days after the publication in final form of a rule regarding underwriting conflicts.

July 20, 2001.

"Paul Moore" "Jack A. Geller"

2.1.6 Bowater Incorporated. et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted, subject to certain conditions, from the prospectus and registration requirements in respect of trades in connection with a plan of arrangement.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 35(1)15.i, 53, 72(1)(i), 72(5), 74(1).

Applicable Ontario Rules

Rule 45-501 Exempt Distributions.

Rule 72-501 - Prospectus Exemption for First Trade Over a Market outside Ontario.

IN THE MATTER OF
THE CANADIAN SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK,
NOVA SCOTIA,
PRINCE EDWARD ISLAND AND NEWFOUNDLAND

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
Bowater Incorporated, Bowater Canada Inc.,
Bowater Canadian Holdings Incorporated,
And Alliance Forest Products Inc.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Makers**") in each of the provinces of Canada (the "**Jurisdictions**") has received an application from Bowater Incorporated ("**Bowater**") and Bowater Canada Inc. ("**Bowater Canada**") (collectively the "**Filer**"), on behalf of Bowater, Bowater Canada, Bowater Canadian Holdings Incorporated ("**Bowater Holdings**") and Alliance Forest Products Inc. ("**Alliance**"), for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") that the requirement to be registered to trade in a security (the "**Registration Requirements**") and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "**Prospectus Requirements**") contained in the Legislation shall not apply to certain trades in securities to be made in connection with the proposed statutory arrangement (the "**Arrangement**") whereby Bowater will effectively acquire all the issued and outstanding shares in the capital of Alliance pursuant to the terms of an arrangement agreement dated

April 1, 2001 (the "**Arrangement Agreement**") between Bowater and Alliance, and involving Bowater Holdings and Bowater Canada.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "**System**"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. Bowater is a corporation incorporated under the laws of the State of Delaware, with its head office in Greenville, South Carolina.

2. Bowater is currently subject to the reporting requirements of the *United States Securities Exchange Act of 1934*, as amended (the "***Exchange Act***"), and is not a "reporting issuer" or the equivalent concept in any of the Jurisdictions except in Québec.

3. The authorized capital of Bowater consists of 100,000,000 shares of common stock, par value US $1.00 per share ("**Bowater Shares**") and 10,000,000 shares of Serial Preferred Stock, par value US$1.00 per share, ("**Bowater Serial Preferred Stock**"), of which there were issued and outstanding at March 15, 2001, 50,378,846 Bowater Shares and one share of Bowater Serial Preferred Stock designated as special voting stock (the "**Bowater Special Voting Stock**"). The Bowater Shares are fully participating, voting shares.

4. Bowater is engaged in the manufacture, sale and distribution of newsprint, uncoated groundwood specialties, coated groundwood paper, market pulp, lumber and timber. Bowater operates facilities in the United States, Canada and South Korea and, as of December 31, 2000, managed or controlled cutting rights for approximately 16.0 million acres of timberlands to support these facilities. Bowater markets and distributes its products in North America, Latin America, Europe, Asia and the Pacific Rim. Bowater had over US$2.5 billion in revenues in 2000 and over 6,400 employees.

5. The Bowater Shares are listed on the New York Stock Exchange ("**NYSE**"), United States regional exchanges and the London Stock Exchange.

6. Bowater Holdings is a subsidiary of Bowater and is incorporated under the laws of Nova Scotia.

7. Bowater Canada is a subsidiary of Bowater Holdings and is incorporated under the laws of Canada.

8. Bowater Canada is currently a "reporting issuer" or the equivalent in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and has had this status in each Jurisdiction for at least 12 months.

9. In 1998, Bowater Canada issued shares that are exchangeable for Bowater Shares (the "**Exchangeable Shares**") and have economic and voting rights that are, as nearly as possible, equivalent to those of a Bowater Share. The Exchangeable Shares are listed on The Toronto Stock Exchange ("**TSE**").

10. According to the share registers of Bowater and Bowater Canada, taking into consideration the Bowater Shares issuable on exchange of the Exchangeable Shares, (collectively "**Bowater/Exchangeable Shares**"), and excluding Exchangeable Shares held by Bowater Holdings, at April 11, 2001, the aggregate numbers of Bowater/Exchangeable Shares registered in the names of holders resident in the various Jurisdictions and the aggregate numbers of such registered shareholders are as follows: British Columbia – 39 holders of 2,942 Bowater/Exchangeable Shares; Alberta – 15 holders of 990 Bowater/Exchangeable Shares; Saskatchewan – 2 holders of 94 Bowater/Exchangeable Shares; Manitoba – 4 holders of 735 Bowater/Exchangeable Shares; Ontario – 524 holders of 1,175,645 Bowater/Exchangeable Shares; Quebec – 104 holders of 4,297 Bowater/Exchangeable Shares; New Brunswick – 30 holders of 1,012 Bowater/Exchangeable Shares; Nova Scotia 13 holders of 689 Bowater/Exchangeable Shares; Prince Edward Island – 1 holder of 208 Bowater/Exchangeable Shares; and Newfoundland – 3 holders of 36 Bowater/Exchangeable Shares.

11. Alliance is a corporation incorporated under the laws of Canada with its head office in Montréal, Québec.

12. Alliance is currently a reporting issuer or the equivalent in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.

13. Alliance is authorized to issue an unlimited number of Alliance Shares. As at April 30, 2001, there were outstanding 30,269,662 Alliance Shares and 2,739,772 Options (defined below), representing a maximum 33,009,434 Alliance Shares that could be issued and outstanding immediately prior to the Arrangement becoming effective, on a fully-diluted basis. Assuming that out-of-the-money Options are not exercised prior to the Arrangement being completed, the maximum Alliance Shares that could be issued and outstanding immediately prior to such time would be 32,315,171.

14. Alliance is an integrated forest products company specializing in timber harvesting and forest management, as well as in the production and sale of pulp, newsprint, uncoated groundwood specialty papers, pulp, lumber and related products. Alliance has operations in Canada and the United States.

15. The common shares in the capital of Alliance (the "**Alliance Shares**") are listed on the TSE and the NYSE.

16. According to the share register of Alliance, as at April 30, 2001, Alliance had 2 registered shareholders

resident in Ontario, holding an aggregate of 29,125,012 Alliance Shares (96.22%); 40 registered shareholders resident in Québec holding an aggregate of 131,562 Alliance Shares (0.43%); 4 registered shareholders resident in New Brunswick holding an aggregate of 809 Alliance Shares (0.00%); and 2 registered shareholders resident in Newfoundland holding an aggregate of 300 Alliance Shares (0.00%).

17. As at April 30, 2001, 3,000,000 Alliance Shares had been reserved, in the aggregate, for issuance in respect of various employee stock incentive plans of which 2,739,772 Alliance Shares are under option ("**Options**"). Of those, 694,263 Options are out-of-the-money, based on a market price of $26.00. All the in-the-money Options are held by holders with registered addresses in Québec, except for 348,882 Options which are held by US residents.

18. Other than the Options, there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments obligating Alliance or any subsidiary to issue or sell any Alliance Shares or securities or any obligations of any kind convertible into Alliance Shares. Under the Arrangement Agreement all Options shall be exercised or terminated and all stock purchase plans shall be terminated prior to the Arrangement becoming effective.

19. The Arrangement will be effected through the following steps:

    (a) Alliance will apply, under Section 192 of the Canada Business Corporations Act (the "**CBCA**"), for an order (the "**Interim Order**") of the Superior Court of Québec, District of Montréal (the "**Court**") approving the plan of arrangement (the "**Plan of Arrangement**");

    (b) Alliance will hold an annual and special meeting (the "**Annual and Special Meeting**") of holders of Alliance Shares ("**Alliance Securityholders**") for the purpose of considering a resolution approving the Plan of Arrangement and the Arrangement;

    (c) subject to obtaining the required approval from the Alliance Securityholders, Alliance will proceed with an application to the Court for a final order approving the Plan of Arrangement (the "**Final Order**");

    (d) subject to obtaining the Final Order, Alliance will file with the Director appointed pursuant to Section 260 of the CBCA articles of arrangement ("**Articles of Arrangement**")and such other documents as may be required under the CBCA to give effect to the Plan of Arrangement; and

    (e) upon the Articles of Arrangement becoming effective,

        (i) each Alliance Share that the holder shall have elected to exchange under the Arrangement for $13.00 (the "**Cash Portion**") and 0.166 Bowater Shares, or that is deemed to have been so elected (collectively, "**Bowater Elected Shares**") will be transferred by the holder to Bowater Holdings in exchange for the Cash Portion and 0.166 Bowater Shares;

        (ii) Bowater Holdings will transfer to Bowater Canada all the Alliance Shares then owned by Bowater Holdings and, as consideration therefor, Bowater Canada will issue an equivalent number of common shares of Bowater Canada to Bowater Holdings;

        (ii) each Alliance Share that the holder shall have elected to exchange under the Arrangement for the Cash Portion and 0.166 Exchangeable Shares ("**Exchangeable Share Elected Shares**") will be transferred by the holder thereof to Bowater Canada in exchange for the Cash Portion and 0.166 Exchangeable Shares; and

        (iii) each outstanding Option will be terminated.

20. The management proxy circular (the "**Circular**") delivered to Alliance Securityholders in connection with the Annual and Special Meeting has been prepared in conformity with the provisions of the CBCA and the Interim Order and will contain prospectus level disclosure of the business and affairs of Bowater and a detailed description of the Arrangement and the Plan of Arrangement.

21. The Exchangeable Shares provide their holders (the "**Exchangeable Shareholders**") with a security of a Canadian issuer having economic and voting rights which are, as nearly as possible, equivalent to those of a Bowater Share. Exchangeable Shares issued on the Arrangement generally will be received by Canadian residents who so elect on a full or partial tax-deferred roll-over basis.

22. Under the terms of the Exchangeable Shares (the "**Exchangeable Share Provisions**") and certain rights to be granted in connection with the Arrangement, the Exchangeable Shareholders will be able to exchange the Exchangeable Shares at their option for Bowater Shares.

23. In order to ensure that the Exchangeable Shares retain the economic equivalence of Bowater Shares prior to their exchange, the Arrangement Agreement provides that, in accordance with the customary structure of such cross-border exchangeable share transactions, the terms of an existing support agreement (the "**Support Agreement**") among Bowater, Bowater Holdings and Bowater Canada will apply to the Arrangement. The Support Agreement provides, among other things, that

(a) Bowater will not declare or pay any dividends on Bowater Shares unless Bowater Canada immediately thereafter declares or pays, as the case may be, an equivalent dividend on the Exchangeable Shares and Bowater Canada has resources available to pay equivalent dividends on the Exchangeable Shares, and (b) Bowater will ensure that Bowater Canada will be able to honour the redemption and retraction rights and entitlements upon liquidation pursuant to the terms of the Exchangeable Shares.

24. The Arrangement Agreement provides that the terms of an existing voting and exchange trust agreement (the "**Voting and Exchange Trust Agreement**") among Bowater, Bowater Holdings, Bowater Canada and Montreal Trust Company of Canada, as trustee (the "**Trustee**"), will apply to the Arrangement. The Voting and Exchange Trust Agreement, among other things:

(a) grants to the Trustee, for the benefit of the Exchangeable Shareholders, the right to require Bowater to indirectly exchange the Exchangeable Shares for Bowater Shares upon the occurrence of specified events (the "**Exchange Right**"); and

(b) provides for the issue by Bowater to the Trustee of a Bowater Special Voting Share that has been issued to effectively provide the Exchangeable Shareholders with voting rights equivalent to those of Bowater Shares.

25. The Arrangement involves, or may involve, a number of trades (the "**Trades**") including: (i) the issuance of the Exchangeable Shares and Bowater Shares; and (ii) the creation and exercise of all the various rights under the Plan of Arrangement, Voting and Exchange Trust Agreement, Support Agreement, and Exchangeable Share Provisions, including the Exchange Right and call rights upon the exchange of Exchangeable Shares for Bowater Shares on retraction and redemption of the Exchangeable Shares or liquidation of Bowater Canada, at which times Bowater Holdings may purchase Exchangeable Shares by delivering Bowater Shares to Exchangeable Shareholders.

26. There may be no registration or prospectus exemptions available under the Legislation for certain of the Trades.

27. Immediately on completion of the Arrangement, assuming all of the in-the-money Options have been previously exercised for Alliance Shares, the total number of Bowater/Exchangeable Shares held in any of the individual Jurisdictions, other than Ontario, will not exceed 10.0% of the total number of Bowater/Exchangeable Shares outstanding. The largest percentage holdings will be in Ontario, where residents could hold an aggregate of approximately 10.6% of the total number of Bowater/Exchangeable Shares outstanding. The total number of registered Bowater/Exchangeable Shareholders who are resident in Canada will not exceed 10% of the registered Bowater/Exchangeable Shareholders in any Jurisdiction other than Ontario, where they will represent 10.5%.

28. The TSE has conditionally approved the listing of the additional Exchangeable Shares issuable to Alliance Securityholders under the Plan of Arrangement.

29. Upon completion of the Plan of Arrangement and the Arrangement, neither Bowater nor Bowater Holdings will become a "reporting issuer" or the equivalent in any of the Jurisdictions, except that Bowater will continue as a "reporting issuer" in Québec.

30. All disclosure material furnished to holders of Bowater Shares in the United Sates will be concurrently furnished to Exchangeable Shareholders resident in the Jurisdictions.

31. Orders granted by the Ontario Securities Commission on June 26, 1998 and by the other Jurisdictions shortly before or after that date, have exempted Bowater Canada from certain continuous disclosure obligations provided that stated conditions are met, including that all documents filed by Bowater with the United States Securities and Exchange Commission under the *Exchange Act* (including, but not limited to, copies of any Form 10-K, Form 10-Q, Form 8-K and proxy statements prepared in connection with Bowater's annual meetings) are also filed via SEDAR in respect of Bowater Canada's reporting obligations (the "**1998 Exemption Order Requirements**").

AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "**Decision**");

AND WHEREAS each Decision Maker is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION by the Decision Makers under the Legislation is that the Registration Requirement and the Prospectus Requirements shall not apply to the Trades provided that:

(i) the first trade of Exchangeable Shares acquired in reliance on this Decision shall be deemed to be a distribution or a primary distribution to the public under the Legislation unless:

(a) the trade is exempt from or not subject to the Prospectus Requirement under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Jurisdiction');

(b) at the time of the first trade, Bowater Canada is a reporting issuer or the equivalent under the Applicable Legislation;

(c) no unusual effort is made to prepare the market or to create a demand for the Exchangeable Shares;

(d) no extraordinary commission or consideration is paid to a person or company in respect of the trade;

(e) if the seller of the securities is an insider or officer of Bowater Canada, Bowater Holdings or Bowater, the seller has no reasonable grounds to believe that Bowater Canada is in default of any requirement of the Applicable Legislation;

(f) except in Québec, such first trade is not from the holdings of a person or company or a combination of persons or companies holding a number of any securities of Bowater (with Exchangeable Shares counted as securities of Bowater) sufficient to affect materially the control of Bowater or that is more than 20% of the outstanding voting securities of Bowater, except where there is evidence showing that the holding of those securities does not affect materially the control of Bowater;

(g) the 1998 Exemption Order Requirements are complied with; and

(ii) the first trade of Bowater Shares, either acquired pursuant to the Arrangement or received upon the exchange of the Exchangeable Shares for Bowater Shares in accordance with the terms of the Exchangeable Shares, shall be deemed to be a distribution or a primary distribution to the public under the Legislation, unless:

(a) (i) the trade is exempt from or not subject to the Prospectus Requirements under the Legislation of the Applicable Jurisdiction; or

(ii) the trade is made through the facilities of the NYSE or other market or exchange outside Canada and in accordance with the rules and regulations applicable to that market or exchange; and

(b) the 1998 Exemption Order Requirements are complied with.

July 4, 2001.

"Paul Moore" "R.S. Paddon"

2.1.7 Vidéotron ltée - MRRS Decision

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., s.83.

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA, SASKATCHEWAN, ONTARIO, QUEBEC, NOVA SCOTIA AND NEWFOUNDLAND

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
VIDÉOTRON LTÉE

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from Vidéotron ltée (the "Applicant") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Applicant be deemed to have ceased to be a reporting issuer, or the equivalent thereof, under the Legislation;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Commission des valeurs mobilières du Québec is the principal regulator for this application;

AND WHEREAS the Applicant has represented to the Decision Makers that:

1. The Applicant is a wholly-owned subsidiary of Le Groupe Vidéotron ltée and is a company governed by the laws of Quebec. The Applicant results from the amalgamation of Télécâble St-Damien Inc. with Vidéotron, in accordance with the *Companies Act* (Quebec) (the "Act") by certificate of amalgamation dated September 1, 1989.

2. The Applicant's head office is located at 300 Viger Avenue East, Montreal, Quebec, H2X 3W4.

3. The Applicant is a reporting issuer in each of the Jurisdictions.

4. On August 31, 1998, the Applicant filed a prospectus in the Jurisdictions in connection with an offer to exchange up to $100,000,000 of new 6.25% senior notes due 2008 (the "Senior Notes") for 6.25% senior notes due 2008 that were initially sold to investors pursuant to exemptions from the prospectus requirements of the Jurisdictions.

5. As a result of an offer to purchase, the Applicant acquired all of the Senior Notes.

6. On March 25, 1999, the Applicant filed a short form prospectus in the Jurisdictions in connection with the offering to the public from time to time, during the two year validity period of the said short form prospectus, of medium term note debentures due not less than one year from the date of issue, in an aggregate principal amount not to exceed $400,000,000 (or the equivalent thereof in foreign currencies) (the "MTN Program").

7. No notes have been issued under the MTN Program and the Applicant has terminated the MTN Program.

8. Le Groupe Vidéotron ltée is the only security holder of the Applicant and there are no other outstanding securities of the Applicant, including debt securities.

9. The Applicant does not have any securities listed or quoted on any stock exchange or organized market in Canada.

10. The Applicant does not intend to issue other securities in the public.

11. Except for the fact that the Applicant has not filed on January 18, 2001, the annual information form and the annual report of August 31, 2000, where applicable, the Applicant is not in default of any of the requirements of the Legislation.

AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Applicant is deemed to have ceased to be a reporting issuer, or the equivalent thereof, under the Legislation.

Dated at Montréal Québec this 16th day of July 2001.

"Jean-François Bernier"

2.1.8 Centrefund Realty Corporation and A.H. Canada Holdings Ltd. - MRRS Decision

Headnote

Rule 61-501 - Mutual Reliance Review System - Related Party Transaction - relief from minority approval requirement granted to related party of interested party on the basis that such related party does not hold securities of the issuer or interested party sufficient to affected materially the control of such parties, and the percentage ownership of such related party in the issuer exceeds its percentage ownership in the interested party.

Applicable Ontario Rules

OSC Rule 61-501 - Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions, ss. 5.7, 8.1(3) and 9.1.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF ONTARIO AND QUEBEC

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
CENTREFUND REALTY CORPORATION AND A.H. CANADA HOLDINGS LTD.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario and Quebec (the "Jurisdictions") has received an application (the "Application") from Centrefund Realty Corporation ("Centrefund") and A.H. Canada Holdings Ltd. ("AH Canada", AH Canada and Centrefund being collectively referred to in this Application as the "Applicants") under the securities legislation of the Jurisdictions (the "Legislation") that, in connection with a proposed transaction (the "Transaction") pursuant to which Equity One, Inc. ("Equity One"), an affiliate of Centrefund, will acquire all of the issued and outstanding shares of Centrefund Realty (U.S.) Corporation ("CEFUS"), an indirect wholly-owned subsidiary of Centrefund, in exchange for 10,500,000 shares of common stock of Equity One, the Applicants be exempt from the minority shareholder approval requirements in the Legislation to the extent that they would prevent AH Canada from forming part of the minority for the purposes of obtaining minority shareholder approval of the Transaction in accordance with the Legislation;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for the Application;

AND WHEREAS the Applicants have represented to the Decision Makers as follows:

1. Centrefund is a corporation incorporated under the laws of Ontario and is a reporting issuer under the Securities Act (Ontario) (the "Act") not in default of any requirements of the Act or the regulations thereunder.

2. The authorized capital of Centrefund consists of an unlimited number of common shares and an unlimited number of preference shares. As of June 8, 2001, Centrefund had 15,376,986 common shares and no preference shares issued and outstanding.

3. As of June 8, 2001, Centrefund had outstanding an aggregate principal amount of $57,441,000 8.5% convertible unsecured subordinated debentures (the "8.5% Debentures") which are convertible into common shares of Centrefund at a conversion price of $15.50 per common share, $97,522,000 7.875% convertible unsecured subordinated debentures (the "7.875% Debentures") which are convertible into common shares of Centrefund at a conversion price of $17.00 per common share, $100,000,000 7.0% convertible unsecured subordinated debentures (the "7.0% Debentures") which are convertible into common shares of Centrefund at a conversion price of $23.50 per common share and $100,000,000 7.25% convertible unsecured subordinated debentures (the "7.25% Debentures") which are convertible into common shares of Centrefund at a conversion price of $25.25 per common share (the 8.5% Debentures, the 7.875% Debentures, the 7.0% Debentures and the 7.25% Debentures being collectively referred to in this Decision Document as the "Debentures").

4. The common shares of Centrefund and the Debentures are listed on The Toronto Stock Exchange (the "TSE").

5. CEFUS is a corporation incorporated under the laws of Delaware and is an indirect wholly-owned subsidiary of Centrefund.

6. Equity One is a trust organized under the laws of Maryland.

7. The authorized capital of Equity One consists of common stock and preferred stock. As of June 8, 2001, Equity One had 13,011,900 shares of common stock and no preferred stock issued and outstanding.

8. The common stock of Equity One is listed on the New York Stock Exchange.

9. Gazit-Globe (1982) Ltd. ("Gazit-Globe") is a corporation incorporated under the laws of Israel and listed on the Tel Aviv Stock Exchange.

10. Gazit-Globe holds, directly and indirectly through Gazit (1997) Inc. ("Gazit"), a corporation incorporated under the laws of Ontario and an indirect wholly-owned subsidiary of Gazit-Globe, 10,466,500 common shares of Centrefund representing approximately 68.07% of the issued and outstanding common shares of Centrefund.

11. In addition, Gazit-Globe holds, directly and indirectly, an aggregate principal amount of $20,981,000 of 7.875% Debentures, an aggregate principal amount of $26,992,600 of 7.0% Debentures, an aggregate principal amount of $866,000 of 8.5% Debentures and an aggregate principal amount of $29,288,000 of 7.25% Debentures all of which are convertible at the conversion prices set out above into an aggregate of 3,598,589 common shares of Centrefund. If such Debentures were converted, Gazit-Globe would hold approximately 74.12% of the issued and outstanding common shares of Centrefund.

12. Gazit-Globe, directly and through its wholly-owned subsidiaries, holds 8,245,239 shares of common stock of Equity One representing approximately 63.4% of the issued and outstanding common stock of Equity One.

13. Mr. Chaim Katzman has been the Chairman and Chief Executive Officer of Equity One since June 1992.

14. Mr. Katzman owns or may be deemed to exercise control or direction over 29,441,445 ordinary shares of Gazit-Globe representing approximately 64.96% of the issued and outstanding ordinary shares of Gazit-Globe.

15. Given the interest of Gazit-Globe in both Centrefund and Equity One, Centrefund and Equity One are both controlled by Gazit-Globe.

16. Alony-Hetz Properties & Investments Ltd. ("Alony-Hetz") is a corporation incorporated under the laws of Israel and listed on the Tel Aviv Stock Exchange. Alony-Hetz holds rental properties in the United Kingdom representing approximately 75% of its assets and 70% of its total revenues. In addition, Alony-Hetz has portfolio investments in public companies in Israel and North America, including Centrefund and Equity One as described below.

17. AH Canada, a corporation incorporated under the laws of Alberta, is a wholly-owned subsidiary of Alony-Hetz and holds 2,931,824 common shares of Centrefund representing 19.07% of the issued and outstanding common shares of Centrefund.

18. In addition, AH Canada holds an aggregate principal amount of $6,025,000 of 7.875% Debentures, an aggregate principal amount of $7,541,000 of 7.0% Debentures and an aggregate principal amount of $7,960,000 of 7.25% Debentures all of which are convertible at the conversion prices set out above into an aggregate of 990,554 common shares of Centrefund. If such Debentures were converted, AH Canada would hold 3,922,378 common shares of Centrefund representing approximately 23.96% of the issued and outstanding common shares of Centrefund.

19. In connection with the investment in Centrefund by AH Canada, Alony-Hetz, AH Canada, Gazit, Gazit-Globe and Gazit Acquisition Corp. entered into a shareholders' agreement (the "Centrefund Shareholders' Agreement") dated October 5, 2000, as amended on February 28, 2001, which provides that:

(a) Gazit-Globe will vote all of its voting securities of Centrefund in favour of nominees of Alony-Hetz such that Alony-Hetz is entitled to have (i) the greater of two nominees on the board of directors of Centrefund (the "Board") and nominees representing one-fifth of the Board, provided that Alony-Hetz and its affiliates hold at least 2,000,000 common shares of Centrefund representing at least 10% of the issued and outstanding common shares of Centrefund, or (ii) one nominee on the Board if Alony-Hetz and its affiliates hold less than 10% of the issued and outstanding common shares of Centrefund but hold at least 1,250,000 common shares of Centrefund representing at least 5% of the issued and outstanding common shares of Centrefund; one of such nominees, if Alony-Hetz has two nominees, or a majority of such nominees, if Alony-Hetz has more than two nominees, shall be resident Canadians (within the meaning of the *Business Corporations Act* (Ontario)) and not related directors within the meaning of the TSE Company Manual and each such resident Canadian nominee shall be subject to Gazit's approval;

(b) the number of directors of Centrefund shall at no time exceed 15 without the consent of AH Canada;

(c) Alony-Hetz will vote all of its voting securities of Centrefund in favour of the election of the nominees of Gazit-Globe as the remaining directors of Centrefund;

(d) if Gazit-Globe or any of its affiliates agrees to sell any of its common shares of Centrefund, Alony-Hetz has the right, at its option, to participate in such sale on a pro-rata basis upon the same terms and conditions as the sale by Gazit-Globe or such affiliate which right Alony-Hetz may exercise in whole or in part;

(e) if Gazit-Globe or any of its affiliates agrees to sell any of its common shares of Centrefund at price of Cdn $19.875 or more, Gazit-Globe may require Alony-Hetz to sell the same proportion of its common shares of Centrefund upon the same terms and conditions as the sale by Gazit-Globe or such affiliate;

(f) if Alony-Hetz, Gazit-Globe or any of their respective affiliates acquire any additional securities of Centrefund, the other party shall have the right, at its option, to purchase, in whole but not in part, such proportion of the acquired securities as is equal to its pro rata interest in Centrefund on the same terms and conditions;

(g) Alony-Hetz will not, among other things, without the prior written consent of the Board, seek additional representation on the Board, seek to participate in, influence or change the management of Centrefund, solicit proxies with respect to any voting securities of Centrefund, deposit its voting securities in a voting trust or similar arrangement, take any action alone or in concert with any other person to acquire or affect the control of Centrefund or directly or indirectly seek to influence any of Centrefund's contractual relationships; and

(h) the agreement will terminate on the tenth anniversary of the date of the agreement or if Alony-Hetz or its affiliates cease to hold common shares of Centrefund representing at least 5% of the issued and outstanding common shares of Centrefund.

For the purposes of clause (d) above, Gazit-Globe acquired an interest in the common shares of Centrefund at an average price of $12.58 per common share. The closing price of the common shares of Centrefund on the TSE on June 8, 2001 was $10.00. As described in clause (f) above, Alony-Hetz has the right to acquire from Gazit such amount of the Debentures that it acquires from time to time as is equal to its pro rata interest in Centrefund at the same price that such Debentures are acquired by Gazit.

20. The Centrefund Shareholders' Agreement contains no other provisions with respect to the voting of the common shares of Centrefund held by the parties except as described above and Alony-Hetz and Gazit-Globe are otherwise entitled to vote their respective common shares of Centrefund in their sole and absolute discretion.

21. On November 16, 2000, Mr. Nathan Hetz, the President and Chief Executive Officer of Alony-Hetz, was appointed to the Board. Despite the fact that Alony-Hetz is entitled to two representatives on the Board pursuant to the Centrefund Shareholders' Agreement, Mr. Hetz is currently the only representative of Alony-Hetz on the Board.

22. A.H. Investments US, L.P. ("AH Investments"), a Delaware limited partnership wholly-owned by Alony-Hetz, holds 1,031,000 shares of common stock of Equity One representing approximately 7.92% of the issued and outstanding common stock of Equity One. Pursuant to a subscription agreement with Equity One dated October 4, 2000, Alony-Hetz has an obligation to purchase 925,000 shares of common stock (the "Additional Shares") of Equity One on or before August 17, 2001. In addition, Alony-Hetz holds warrants (the "Warrants") of Equity One convertible into 1,025,000 shares of common stock Equity One. Following the purchase of the Additional Shares, Alony-Hetz would, directly and through AH Investments, hold 1,956,000 shares of common stock of Equity One representing approximately 14.03% of the issued and outstanding common stock of Equity One and, if Alony-Hetz were to also exercise the Warrants, Alony-Hetz would hold, directly and through AH Investments, 2,981,000 shares of common stock of Equity One representing approximately 19.92% of the issued and outstanding common stock of Equity One.

23. Mr. Hetz owns 4,000 shares of common stock of Equity One representing approximately 0.03% of the issued and outstanding common stock of Equity One.

24. In connection with its investment in Equity One, Alony-Hetz and its wholly-owned entities (the "Alony-Hetz Group") entered into a stockholders' agreement (the "Equity One Stockholders' Agreement") with Gazit-Globe and its wholly-owned entities (the "Gazit Group") dated October 4, 2000, which provides that:

(a) if the Gazit Group agrees to sell all of its common stock of Equity One, the Gazit Group may require the Alony-Hetz Group to sell all of its common stock of Equity One and unexercised Warrants provided that it is on the same terms and conditions as the sale by the Gazit Group;

(b) if any member of the Gazit Group proposes to sell any of its common stock of Equity One, the Alony-Hetz Group has the right, at its option, to participate in such sale on a pro-rata basis on the same terms and conditions as the sale by the Gazit Group which right the Alony-Hetz Group may exercise in whole or in part;

(c) the Gazit Group will vote all of its voting securities of Equity One in favour of up to the greater of two nominees of the Alony-Hetz Group or such number of nominees as shall constitute 20% of the board of directors of Equity One subject to the satisfaction and maintenance by the Alony-Hetz Group of certain ownership thresholds;

(d) the Alony-Hetz Group will vote all of its voting securities of Equity One in favour of the election of the nominees of the Gazit Group as the remaining directors of Equity One;

(e) for any period during which the Alony-Hetz Group owns beneficially or of record more than 20% of the outstanding common stock of Equity One and the Gazit Group holds a majority interest in Equity One, the Alony-Hetz Group will not, without the prior written consent of the board of directors of Equity One, seek additional representation on the board of directors of Equity One, seek to participate in, influence or change the management of Equity One, solicit proxies with respect to any voting securities of Equity One, deposit its voting securities of Equity One in a voting trust or similar arrangement, take any action alone or in concert with any other person to acquire or affect the control of Equity One or directly or indirectly seek to influence any of Equity One's contractual relationships; and

(f) the agreement will terminate if the Alony-Hetz Group holds less than 5% of the outstanding voting securities of Equity One, the Gazit Group holds less than 20% of the outstanding voting securities of Equity One or on the tenth anniversary of the date of the agreement, whichever is earliest.

25. The Equity One Stockholders' Agreement contains no other provisions with respect to the voting of the common stock of Equity One held by the parties except as described above and Alony-Hetz and Gazit-Globe are otherwise entitled to vote their respective shares of common stock of Equity One in their sole and absolute discretion.

26. On November 13, 2000, Mr. Hetz was appointed to the board of directors of Equity One.

27. Alony-Hetz holds 1,860,316 ordinary shares of Gazit-Globe representing approximately 4.1% of the issued and outstanding ordinary shares of Gazit-Globe.

28. None of Alony-Hetz, AH Canada, AH Investments or their affiliates is acting jointly or in concert with Gazit-Globe or any of its affiliates in respect of the Transaction. There is no contract, arrangement or understanding, formal or informal, between Alony-Hetz or AH Canada and any other security holder of Centrefund or Equity One or any other person or company with respect to the Transaction.

29. On May 18, 2001, Centrefund entered into a definitive form of stock exchange agreement with Equity One whereby Equity One agreed to acquire all of the issued and outstanding shares of CEFUS in exchange for 10,500,000 shares of common stock of Equity One, subject to the approval of the minority shareholders of Centrefund in accordance with the Legislation and the approval of the issuance of the common stock of Equity One by the shareholders of Equity One.

30. Since both Centrefund and Equity One are controlled by Gazit-Globe, Equity One is a related party of Centrefund within the meaning of the Legislation.

31. Given that Equity One is a related party of Centrefund, the Transaction will constitute a related party transaction for the purposes of the Legislation.

32. The Board established a committee of independent directors (the "Special Committee") to consider the Transaction. The Special Committee consists of three independent directors being Messrs. Gary Samuel (Chairman), Steven Ranson and Moshe Ronen.

33. The Special Committee retained Heenan Blaikie to act as its independent legal advisor and retained CIBC World Markets Inc. (the "Financial Advisor") as its financial advisor to deliver valuations of CEFUS and the non-cash consideration to be paid by Equity One under the Transaction, and to provide a fairness opinion on the Transaction (the "Valuation and Fairness Opinion"). The Valuation and Fairness Opinion was delivered to the Board on May 18, 2001.

34. Following receipt of the Valuation and Fairness Opinion, the Special Committee unanimously recommended the approval of the transaction to the Board, and the Board, following this recommendation,

unanimously recommended (with Messrs. Katzman and Segal abstaining) that the minority shareholders of Centrefund approve the Transaction.

35. Centrefund intends to call an annual and special meeting (the "Meeting") of shareholders of Centrefund, at which meeting minority holders of common shares of Centrefund will be asked to consider and, if thought advisable, approve the Transaction in accordance with the Legislation.

36. An information circular describing the Transaction and containing the updated Valuation and Fairness Opinion will be mailed to shareholders of Centrefund in connection with the Meeting which is expected to be scheduled following the receipt by Equity One of required U.S. securities regulatory approvals to permit the mailing of the Equity One proxy materials to its shareholders. It is contemplated that the Meeting will be held in late August or early September of 2001.

37. Given that Equity One is a party to the Transaction and a related party of Centrefund within the meaning of the Legislation, Equity One is an interested party within the meaning of the Legislation.

38. Given the beneficial ownership interest of Alony-Hetz in Equity One, calculated in accordance with the Legislation, Alony-Hetz is a related party of Equity One within the meaning of the Legislation.

39. Given that AH Canada is an affiliate of Alony-Hetz, AH Canada is a related party of Equity One within the meaning of the Legislation. Accordingly, AH Canada would, absent the ruling requested, be excluded by the Legislation from the minority for the purposes of the shareholder vote in respect of the Transaction.

40. Despite the fact that Alony-Hetz has an interest in both Centrefund and Equity One, Centrefund and Equity One are controlled by Gazit-Globe due to the significant interest that Gazit-Globe holds in both companies.

41. The Centrefund Shareholders' Agreement and the Equity One Stockholders' Agreement provide Alony-Hetz with representation on the board of directors of Centrefund and Equity One, respectively, but otherwise allow the parties to vote their respective securities in their sole and absolute discretion. As a result, Alony-Hetz cannot affect materially the control of Equity One or Centrefund.

42. Alony-Hetz is being treated identically to all other shareholders of Centrefund and will not receive, directly or indirectly, as a consequence of the Transaction, consideration of greater value than that received by all other shareholders of Centrefund.

43. The percentage interest that Alony-Hetz holds in Centrefund, both on a diluted and undiluted basis, exceeds its percentage interest in Equity One.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers in the Jurisdictions under the Legislation is that, in connection with the Transaction, the common shares held by AH Canada may be included in the determination of whether the requisite minority approval has been obtained in respect of the Transaction for the purposes of the Legislation, provided that the other applicable provisions of the Legislation are complied with in connection with the Transaction.

July 20, 2001.

"Ralph Shay"

2.1.9 PolyMet Mining Corp. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief granted from certain provisions of National Instrument 43-101 to permit a prefeasibility report to include an economic evaluation based on inferred resources as a variation on a base case analysis subject to certain conditions including pit design based on measured and indicated resources and to permit the disclosure of the prefeasibility report, subject to certain conditions.

Rules Cited

National Instrument 43-101 - Standards of Disclosure for Mineral Projects, ss. 2.3(1) and 9.1 Form 43-101F1 Technical Report, Item 19(i).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA AND ONTARIO

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW
SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
POLYMET MINING CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, and Ontario (the "Jurisdictions") has received an application from PolyMet Mining Corp. (the "Filer") for a decision under section 9.1 of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (the "National Instrument") that the Filer is exempt from:

(a) the requirement in Form 43-101F1 *Technical Report* that only indicated mineral resources, measured mineral resources, probable mineral reserves and proven mineral reserves be used when referring to mineral resources or mineral reserves in an economic evaluation that is used in a preliminary feasibility study of a mineral project (the "Report Requirement"); and

(b) the prohibition in the National Instrument against making any disclosure of results of an economic evaluation which uses inferred mineral resources (the "Disclosure Prohibition");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the British Columbia Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. the Filer is a company incorporated under the *Company Act* (British Columbia) and is a reporting issuer in each of the Jurisdictions;

2. the authorized capital of the Filer consists of 1,000,000,000 shares, of which 29,228,603 shares were issued and outstanding as of July 3, 2001;

3. the common shares of the Filer are listed and posted on the Canadian Venture Exchange;

4 the Company is engaged principally in the exploration for minerals;

5. in April, 2001, Independent Mining Consultants Inc. ("IMC") prepared a pre-feasibility study on the Filer's NorthMet Project located in north-eastern Minnesota (the "Study"), as amended by an addendum dated May, 2001;

6. the Study contains an economic evaluation based only on resources in the measured and indicated categories as a base case analysis, and an economic evaluation which includes 16.9% of in-pit inferred resources as a variation on the base case analysis;

7. the Filer considers that a variation on the base case analysis which includes 16.9% of in-pit inferred resource is reasonable from a technical point of view, which position is supported by IMC in the Study;

8. the economic evaluation which includes 16.9% of in-put inferred resource is a material fact in the affairs of the Filer;

9. the Filer intends to issue a news release announcing the results of the Study including the in-put inferred resources (the "News Release");

AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each Decision Maker is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Filer is exempt from the Report Requirement and the Disclosure Prohibition in respect of the Study and the News Release provided that:

(a) the proposed mining plan (pit design) contained in the Study is based on only the measured and indicated resources;

(b) the Filer prepares and discloses a base case economic analysis, using only measured and indicated resources; and

(c) the News Release include a proximate statement that the Study is preliminary in nature,

that it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the Study will be realized.

July 19, 2001.

"Brenda Leong"

2.1.10 Greater Lenora Resources Corp. and 3851419 Canada Inc. - MRRS Decision

Headnote

MRRS - National Instrument 43-101 - Relief granted from requirement in subsection 4.1(1) to file a technical report upon first becoming a reporting issuer - Issuer to become a reporting issuer as a result of plan of arrangement where assets spun out of existing reporting issuer - Business of new reporting issuer substantively a continuation of business of existing reporting issuer.

Rules Cited

National Instrument 43-101 Standards of Disclosure for Mineral Projects, ss 4.1(1) and 9.1(1).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ONTARIO AND QUEBEC
AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW
SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
GREATER LENORA RESOURCES CORP. AND
3851419 CANADA INC.

MRRS DECISION DOCUMENT

WHEREAS the securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Ontario and Quebec (the "Jurisdictions") has received an application from Greater Lenora Resources Corp. ("Greater Lenora") and 3851419 Canada Inc. ("MinCo") for a decision pursuant to securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in subsection 4.1(1) of National Instrument 43-101 ("NI 43-101") to prepare and file a technical report upon becoming a reporting issuer shall not apply to MinCo in connection with an arrangement (the "Arrangement") under section 192 of the *Canada Business Corporations Act* (the "CBCA") among Greater Lenora, MinCo and 3796299 Canada Inc. ("3796299");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Director under the *Securities Act* (Ontario) is the principal regulator for this application;

AND WHEREAS Greater Lenora and Minco have represented to the Decision Makers that:

1. Greater Lenora is a corporation continued under the CBCA with its registered office in Kirkland Lake, Ontario. The authorized capital of Greater Lenora consists of an unlimited number of common shares (the "Common Shares") and an unlimited number of preferred shares (the "Preferred Shares"). As at June

6, 2001, the Corporation had outstanding 11,467,124 Common Shares, 1,500,000 options to acquire Common Shares (the "Options") and 314,020 Warrants to acquire Common Shares (the "Warrants"). No Preferred Shares are issued or outstanding.

2. Greater Lenora is engaged in the exploration and development of mineral properties primarily located in Canada. A description of the mineral properties of Greater Lenora is contained on pages 28 to 34 of the Management Information Circular (the "Circular") prepared in connection with the Arrangement.

3. Greater Lenora is, and has been for a period in excess of 12 months, a reporting issuer or the equivalent thereof in the Jurisdictions. Greater Lenora is not a reporting issuer or the equivalent thereof in any other province or territory.

4. The Common Shares are listed and posted for trading on The Toronto Stock Exchange.

5. MinCo is a corporation incorporated under the CBCA with its head office in Toronto, Ontario. The authorized capital of MinCo consists of an unlimited number of common shares (the "MinCo Common Shares") and an unlimited number of preferred shares. As at June 6, 2001, there was one MinCo Common Share issued and outstanding; which is held by Greater Lenora. There are no MinCo preferred shares issued and outstanding.

6. MinCo was incorporated in order to participate in the Arrangement.

7. MinCo is not currently a reporting issuer or the equivalent thereof in any of the Jurisdictions.

8. The TSE has conditionally approved the listing of the MinCo Common Shares to be issued in connection with the Arrangement.

9. 3796299 is a corporation incorporated under the CBCA with its head office in Vancouver, British Columbia. The authorized capital of 3796299 consists of an unlimited number of common shares and an unlimited number of preferred shares. As at June 6, 2001 there was one 3796299 common share issued and outstanding, which is held by Glacier Ventures International Corp, a publicly-traded company listed on the TSE. There are no 3796299 preferred shares issued or outstanding.

10. 3796299 is not a reporting issuer or the equivalent thereof in any of the Jurisdictions.

11. The proposed transaction is the investment by 3796299 in Greater Lenora and the reorganization of Greater Lenora into two corporations, one, MinCo, with the existing assets of Greater Lenora and the second, the former Greater Lenora, which intends to acquire an operating business in the information communications area. Under the terms of an arrangement agreement (the "Arrangement Agreement") among Greater Lenora, MinCo, 3796299 and Glacier Ventures International Corp., Greater Lenora and MinCo agreed, subject to court and shareholder approval, to effect the Arrangement. The result of the Arrangement to the shareholders of Greater Lenora will be that they will hold all of the shares of MinCo, a new corporation virtually identical to the existing Greater Lenora. In addition, they will hold 55% of the voting common shares (the "Voting Shares") and 45% of the non-voting shares (the "Non-Voting Shares") of Greater Lenora following the arrangement. 3796299 will hold 45% of the Voting Shares and 55% of the Non-Voting Shares of Greater Lenora following the arrangement. Pursuant to the Arrangement, Greater Lenora will transfer all of its assets and liabilities to MinCo. Following the Arrangement, Greater Lenora will have no assets or liabilities and will seek to recapitalize itself in order to acquire an operating business in the information communications area.

12. The Arrangement requires approval by the Supreme Court of British Columbia (the "BC Court"). On June 5, 2001, the BC Court granted an interim order (the "Interim Order") with respect to certain matters relating to the conduct of the Greater Lenora Meeting (as defined below).

13. The holders of Common Shares, Options and Warrants approved the Arrangement at the annual and special meeting held on June 28, 2001, in Toronto, Ontario (the "Greater Lenora Meeting"). 3796299 will be asked to approve the Arrangement by written consent resolution. Greater Lenora holds the sole outstanding common share of MinCo and will consent in favour of the Arrangement.

14. The Arrangement was approved by at least two-thirds of the votes cast by holders of Common Shares, Options and Warrants at the Greater Lenora Meeting.

15. A management information circular (the "Circular"), was forwarded to holders of Common Shares, Options and Warrants in connection with the Greater Lenora Meeting and contains, among other things, prospectus level disclosure of the business and affairs of each of MinCo and Greater Lenora, and of the particulars of the Arrangement, including pro forma financial information respecting MinCo and Greater Lenora following the Arrangement.

16. Prior to the Effective Date of the Arrangement, 3796299 will have invested $300,000 in Greater Lenora in exchange for a convertible note (the "Convertible Note"). In accordance with the Arrangement Agreement, $150,000 of the investment has been delivered to Greater Lenora and the balance of $150,000 is to be delivered prior to the effective date of the Arrangement. Pursuant to the Arrangement, the Convertible Notes are convertible into 45% of the Voting Shares and 55% of the Non-Voting Shares following the Arrangement. If for some reason the Arrangement does not occur, then depending upon certain conditions, the Convertible Notes will be repaid to 3796299 in cash or converted into Common Shares at the average trading price of the Common Shares.

17. The following describes the principal steps of the Arrangement.

(a) Greater Lenora will transfer and assign to MinCo all of its assets, except for the shares of RJK Explorations Ltd. (the "RJK Shares") which it owns, and MinCo will assume all of the liabilities of Greater Lenora except for the Convertible Notes, and Greater Lenora will issue to MinCo a non-interest bearing promissory note payable on demand which may be satisfied by the transfer of the RJK Shares (the "RJK Note"), all in exchange for (i) a non-interest bearing promissory note (the "Adjustment Amount Promissory Note") in an amount (the "Adjustment Amount") equal to the value of the RJK Note plus the fair market value of the current assets less liabilities of Greater Lenora; and (ii) 2,200 MinCo Preferred Shares.

(b) Greater Lenora will amend its share capital to create Voting Shares, Non-Voting Shares and preferred shares (the "Greater Lenora Preferred Shares").

(c) Each Common Share will be exchanged with Greater Lenora for one Voting Share, one Non-Voting Share and one Greater Lenora Preferred Share.

(d) Optionholders will have their Options exchanged for options of MinCo on the basis that the number of MinCo Common Shares issued upon the exercise of the option will be equal to the number of Common Shares that such optionholder was previously entitled to acquire. The option plan of Greater Lenora will then be cancelled.

(e) Warrantholders will have their Warrants exchanged for warrants of MinCo on the basis that the warrantholder will be entitled to receive on exercise of the warrant that number of MinCo Common Shares at the exercise price as is equal to the number of Common Shares that the warrantholder was previously entitled to acquire at the exercise price the warrantholder was previously required to pay. The Warrants will then be cancelled.

(f) All Greater Lenora Preferred Shares will be exchanged with MinCo on the basis of one MinCo Common Share for each Greater Lenora Preferred Share.

(g) The one MinCo Common Share held by Greater Lenora will be cancelled.

(h) MinCo will redeem the MinCo Preferred Shares held by Greater Lenora in exchange for a $2,200,000 promissory note payable by MinCo to Greater Lenora. The redeemed MinCo Preferred Shares will be cancelled.

(i) Greater Lenora will redeem the Greater Lenora Preferred Shares held by MinCo at an aggregate redemption price of $2,200,000 plus the Adjustment Amount. The redemption amount will be paid by setting off the $2,200,000 promissory note owing from MinCo to Greater Lenora and the Adjustment Amount Promissory Note.

(j) The RJK Shares will be transferred by Greater Lenora to MinCo in exchange for setting off the RJK Note.

(k) On the day following the Effective Date, 3796299 will convert the Convertible Notes into that number of Voting Shares and Non-Voting Shares such that 3796299 will own 45% of the Voting Shares and 55% of the Non-Voting Shares.

18. Minco will become a reporting issuer in the Jurisdictions upon completion of the Arrangement.

19. Greater Lenora will file and disseminate a press release (the "Release") prior to the completion of the Arrangement which will update the status of operations on properties material to Greater Lenora. The Release will be prepared in accordance with NI 43-101 and will be prepared by or under the supervision of a qualified person (the "QP"). The Release will identify the QP as well as the qualified persons employed or engaged by Greater Lenora to work on its material properties. The Release will not contain any new information that would result in Greater Lenora being obligated to file a technical report pursuant to section 4.2 of NI 43-101.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each of the Decision Makers (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of each of the Decision Makers under the Legislation is that MinCo is exempt from the requirement in subsection 4.1(1) of NI 43-101 in connection with becoming a reporting issuer upon completion of the Arrangement provided that Greater Lenora files the Release prior to the completion of the Arrangement.

July 23, 2001.

"Kathryn Soden"

2.1.11 CMC Electronics Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - as a result of court approved arrangement, issuer has only one security holder - issuer deemed to have ceased to be a reporting issuer.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O., 1990, c.S.5, as am.s.83.

IN THE MATTER
OF THE SECURITIES LEGISLATION
OF ALBERTA, SASKATCHEWAN, ONTARIO, QUEBEC, NOVA SCOTIA AND NEWFOUNDLAND

AND

IN THE MATTER OF THE
MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
CMC ELECTRONICS INC.
(formerly BAE SYSTEMS CANADA INC.)

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Makers") in each of Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from CMC Electronics Inc. (formerly BAE Systems Canada Inc.) (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Filer cease to be a reporting issuer, or the equivalent thereof, under the Legislation;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. the Filer is a corporation created by a special act of Parliament, and continued under the *Canada Business Corporations Act* (the "CBCA") on September 22, 1978;

2. the Filer is a reporting issuer in each of the Jurisdictions and is not in default of any of the requirements of the Legislation;

3. the Filer's registered office is located in Kanata, Ontario;

4. the Filer's issued and outstanding securities consist of 22,776,291 common shares;

5. as a result of a court approved arrangement on April 6, 2001, the Filer and ONCAP L.P. ("ONCAP") and certain of its subsidiaries (collectively, the "ONCAP Parties") entered into an agreement providing for the acquisition by the ONCAP Parties of all of the issued and outstanding securities of the Filer by way of a plan of arrangement;

6. as a result of these transactions, a subsidiary of ONCAP, CMC Electronics Holdings Inc., became the sole registered and beneficial security holder of the Filer;

7. the common shares of the Filer have been delisted from The Toronto Stock Exchange and from the American Stock Exchange and no securities of the Filer are listed or quoted on any stock exchange or market;

8. other than the common shares, the Filer has no other securities, including debt securities, outstanding; and

9. the Filer does not intend to seek public financing by way of an offering of its securities;

AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Filer is deemed to have ceased to be a reporting issuer, or the equivalent thereof, under the Legislation.

July 23, 2001.

"John Hughes"

2.1.12 Dynamic Mutual Funds Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - trades by pooled funds of additional units to existing unitholders holding units having an aggregate acquisition cost or net asset value of not less than the minimum amount prescribed by legislation under "private placement" exemption exempted from registration and prospectus requirement - trades by pooled funds of units to existing unitholders pursuant to automatic reinvestment of distributions by pooled funds exempted from registration and prospectus requirement - trades in units of pooled funds exempted from registration and prospectus requirement - trades in units of pooled funds no subject to requirement to file reports of trade within 10 days of trades provided prescribed reports filed and fees paid within 30 days of financial year end of pooled funds.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am. ss. 25, 53, 72(3), 74(1), 147.

Rules Cited

Ontario Securities Commission Rule 45-501 - Exempt Distributions.

Ontario Securities Commission Rule 81-501 - Mutual Fund Reinvestment Plans.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND AND NEWFOUNDLAND

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
DYNAMIC MUTUAL FUNDS LTD.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the **"Decision Maker"**) in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (the **"Jurisdictions"**) has received an application from Dynamic Mutual Funds Ltd. (the **"Applicant"**) for a decision pursuant to the securities legislation and securities directions of the Jurisdictions (the **"Legislation"**) that:

(a) certain trades in units (the **"Units"**) of mutual funds established or to be established, (the **"Funds"**) by the Applicant are not subject to the prospectus requirements of the Legislation of Manitoba, Ontario, New Brunswick, Newfoundland and Prince Edward Island (the "Prospectus Jurisdictions") or to the registration requirements of the Legislation of Manitoba, Ontario, New Brunswick, Newfoundland and Prince Edward Island (the "Registration Jurisdictions"), subject to certain conditions; and

(b) trades in Units are not subject to the requirements of the Legislation other than Manitoba relating to the filings of forms and the payment of fees within 10 days of each trade or in some cases within 10 days after the end of the calendar year in which the distribution takes place, subject to certain conditions;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the **"System"**), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS it has been represented by the Applicant to the Decision Makers that:

1. The Applicant is a wholly-owned subsidiary of Dundee Wealth Management Inc. (DWM), and is incorporated under the laws of the Province of Ontario. DWM is a public company listed on the Toronto Stock Exchange. DWM is 85% owned by Dundee Capital Corporation, which is a wholly-owned subsidiary of Dundee Bancorp Inc. (DBI). DBI is a public company listed on the Toronto Stock Exchange.

2. The Applicant is the trustee, manager, registrar and transfer agent and principal distributor for 54 mutual fund trusts known as the "Dynamic Mutual Funds". The Applicant is registered under the *Securities Act* (Ontario) (the **"Act"**) as an adviser in the categories of investment counsel and portfolio manager.

3. The Equity Hedge Fund, one of the Funds, is an open-end mutual fund trust to be established under the laws of Ontario.

4. Units of the Funds may be offered on a continuous basis.

5. Units of the Funds will be sold by dealers registered in the province of purchase.

6. The minimum initial investment (the "Initial Minimum Investment") in any of the Funds by an investor in the Jurisdictions will be not less than the minimum aggregate purchase amount prescribed by the applicable Legislation (the "Prescribed Amount") and will be made in reliance upon prospectus exemptions in each of the Jurisdictions (the "Private Placement Exemption").

7. Following the Initial Minimum Investment in a Fund, it is proposed that unitholders of the Fund who were sold Units of such Fund in reliance on the Private Placement Exemption be permitted to:

(a) automatically reinvest distributions attributable to outstanding Units held by the Unitholder in the Fund to acquire additional Units ("Reinvested Units"), unless otherwise requested by the unitholder; or

(b) subscribe and pay for additional Units ("Subscribed Units").

8. It is proposed that investments in Subscribed Units in a Fund be permitted in amounts less than the Prescribed Amount, provided that at the time of such subsequent investment the Unitholder holds Units of the Funds with an aggregate acquisition cost or aggregate net asset value of at least the applicable Prescribed Amount.

9. Units in each of the Funds will not be transferable, but will be redeemable upon the request of the unitholder at the net asset value per unit on a valuation day to be provided for in the trust indenture of a particular Fund.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the **"Decision"**);

AND WHEREAS each of the Decision Makers are satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that:

A. The registration requirements contained in the Legislation of the Registration Jurisdictions, and the prospectus requirements contained in the Legislation of the Prospectus Jurisdictions shall not apply to

(i) the issuance of Subscribed Units of a Fund to a unitholder of that Fund provided that

(1) the initial investment in Units of that Fund was pursuant to the applicable Private Placement Exemption;

(2) at the time of the issuance of such Subscribed Units, the unitholder then owns Units of that Fund having an aggregate acquisition cost or an aggregate net asset value of not less than the Prescribed Amount of the applicable Prospectus Jurisdiction;

(3) at the time of the issuance of such Subscribed Units, the Applicant is registered under the Legislation of Ontario as an adviser in the categories of investment counsel and portfolio manager and such registration is in good standing; and

(4) this clause (A) will cease to be in effect with respect to a Prospectus Jurisdiction 90 days after the coming into force of any legislation, regulation or rule in such Jurisdiction relating to the distribution of Subscribed Units of pooled funds; and

(ii) an issuance of Reinvested Units of a Fund to a Unitholder of that Fund provided that

(1) no sales commission or other charge in respect of such issuance of Reinvested Units is payable; and

(2) the unitholder has received, not more than 12 months before such issuance, a statement describing (A) the details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of a Unit, (B) the right that the unitholder has to make an election to receive cash instead of Units on the payment of the net income or net realized capital gains distributed by the Fund, (C) instructions on how the right referred to in subclause (B) can be exercised, and (D) the fact that no prospectus is available for the Fund as Units are offered pursuant to prospectus exemptions only; and

B. Except in Manitoba the requirements contained in the Legislation to file a report of a distribution of Units under the Private Placement Exemption or of Subscribed Units within 10 days of such trade or in some cases within 10 days after the end of the calendar year in which the distribution takes place shall not apply to such trade, provided that within 30 days after each financial year end of each Fund, such Fund:

(1) files with the applicable Decision Maker a report in respect of all trades in Units of that Fund during such financial year, in the form prescribed by the applicable Legislation; and

(2) remits the applicable Decision Maker the fee prescribed by the applicable Legislation.

July 24, 2001.

"Paul M. Moore" "J.A Geller"

2.2 Orders

2.2.1 Business Development Bank of Canada - s. 83

Headnote

Crown Corporation, that became a reporting issuer by virtue of the listing of its notes on the TSE, deemed to have ceased to be a reporting issuer - Except for shares held in trust for Crown, all issued and outstanding securities of issuer are securities referred to in paragraph 1(a) of subsection 35(2) of the Act.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am. ss. 35(2)1(a), 73(1)(a), 83 and 83.1.

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, CHAPTER S.5, AS AMENDED (THE "ACT")

AND

IN THE MATTER OF
THE BUSINESS DEVELOPMENT BANK OF CANADA

ORDER
(Section 83)

UPON the application (the "Application") of Business Development Bank of Canada (the "Bank") to the Ontario Securities Commission (the "Commission") for an order, pursuant to section 83 of the Act, that the Bank be deemed to have ceased to be a reporting issuer.

AND UPON the Bank having represented to the Commission that:

1. the Bank is a body corporate governed by the *Business Development Bank of Canada Act* (the "BDB Act");

2. the purpose of the Bank is to support Canadian entrepreneurship by providing financial and management services and by issuing securities or otherwise raising funds or capital in support of those services;

3. subsection 3(4) of the BDB Act provides that the Bank is for all purposes an agent of Her Majesty in right of Canada (the "Federal Crown");

4. subsection 23(2) of the BDB Act provides that the shares of the Bank may be issued only to the Designated Minister (as defined in the BDB Act) to be held in trust for the Federal Crown;

5. subsection 18(1) of the BDB Act provides that the Bank may borrow money by issuing and selling or pledging debt obligations of the Bank;

6. the Bank has, and may, from time to time, borrow money by issuing notes ("Notes") that constitute direct unconditional obligations of the Bank which are also direct unconditional obligations of the Federal Crown;

7. the terms of any Notes issued by the Bank may provide for a return to the holder that is linked to various market indices (such as currencies, commodities, interest rates, swap rates), an equity index, or basket of securities or equity indices or other underlying interests;

8. except for shares that are held in trust for the Federal Crown, all other securities ("Outstanding Securities") of the Bank that are issued and outstanding are securities ("exempt securities") that:

   (a) are referred to in paragraph 1(a) of subsection 35(2) of the Act; and

   (b) do not, by their terms, limit the liability of the Bank to the assets of the Bank, or provide for any return that may be dependent upon the financial condition or performance of the Bank, so that the financial condition or performance of the Bank is not relevant to any holder of Outstanding Securities;

9. the Outstanding Securities were issued by the Bank in reliance upon the prospectus exemption contained in clause 73(1)(a) of the Act, that refers to securities in paragraph 1(a) of subsection 35(2) of the Act;

10. the Bank may, from time to time, arrange for the listing of its securities on The Toronto Stock Exchange (the "TSE"), so that upon such listing the Bank may, by virtue of the definition of "reporting issuer" in the Act, become a reporting issuer; in each such case, the Bank intends to apply to the Commission for an order(s), pursuant to section 83 of the Act, that it be deemed to have ceased to be a reporting issuer;

11. on December 6, 1999, the Bank became a reporting issuer by virtue of the transfer of listing of Internet Stock Basket Protected Notes Due 2009 of the Bank from the Montreal Exchange to the TSE. On January 21, 2000, the Commission issued an order pursuant to Section 83 of the Act deeming the Bank to have ceased to be a reporting issuer under the Act;

12. on February 7, 2000, the Bank became a reporting issuer by virtue of the listing of Global Giants Equity–Linked Notes, Series 1 of the Bank on the TSE. On February 29, 2000, the Commission issued an order pursuant to Section 83 of the Act deeming the Bank to have ceased to be a reporting issuer under the Act;

13. on April 28, 2000, the Bank became a reporting issuer by virtue of the listing of International Equity Index Linked Notes, Series 1 of the Bank on the TSE. On June 2, 2000, the Commission issued an order pursuant to Section 83 of the Act deeming the Bank

to have ceased to be a reporting issuer under the Act;

14. on December 6, 2000, the Bank became a reporting issuer by virtue of the listing of Global Equity Index Linked Notes, Series 1 of the Bank on The Toronto Stock Exchange (the "TSE");

15. on March 22, 2001, the Bank became a reporting issuer by virtue of the listing of Nasdaq-100 Index® Linked Notes, Series 1 and Nasdaq-100 Index® Linked Notes, Series 2 of the Bank on the TSE. On April 15, 2001, the Commission issued an order pursuant to section 83 of the Act deeming the Bank to have ceased to be a reporting issuer under the Act.

16. on April 27, 2001, the Bank became a reporting issuer by virtue of the listing of Nasdaq-100 Index® Linked Notes, Series 3 ("Notes") of the Bank on the TSE. The Bank is not in default of any requirements of the Act or regulations;

17. if the Outstanding Securities should cease to be exempt securities, the Bank will so advise the Director, so that the Director may consider whether, in the circumstances, it may be appropriate to apply to the Commission for an order, pursuant to section 83.1 of the Act, deeming the Bank to be a reporting issuer for the purposes of Ontario securities law;

AND UPON considering the Application and the recommendation of staff of the Commission;

AND UPON the Commission being satisfied that to do so would be in the public interest;

IT IS ORDERED, pursuant to section 83 of the Act, that the Bank is deemed to have ceased to be a reporting issuer.

July 17, 2001.

"Paul Moore" "J.A. Geller"

2.2.2 C.I. Mutual Funds Inc. - ss. 59(1)

Headnote

Exemption from the fees otherwise due under subsection 14(1) of Schedule 1 of the Regulation to the *Securities Act* on the distribution of units made by "underyling" funds arising in the context of RSP "clone" fund structures and non-RSP "clone" fund-of-fund structures.

Regulations Cited

Regulation made under the *Securities Act,* R.S.O. 1990, Reg, 1015, as am., Schedule 1, ss.14(1).

IN THE MATTER OF

THE SECURITIES ACT R.S.O. 1990, CHAPTER S.5, AS AMENDED (THE "ACT")

AND

IN THE MATTER OF C.I. MUTUAL FUNDS INC.

ORDER
(Subsection 59(1) of Schedule I of the Regulation)

UPON the application of CI Mutual Funds Inc. (formerly C.I. Mutual Funds Inc.) ("CI") the manager and trustee of the RSP Funds (as set out in Schedule "A" to this Decision Document), and other similar funds established by CI from time to time (together with the RSP Funds, the "RSP Top Funds"), and the manager of the Non-RSP Funds (as set out in Schedule "B" to this Decision Document), and other similar funds established by CI from time to time (together with the Non-RSP Funds, the "Non-RSP Top Funds" and collectively with the RSP Top Funds, the "Top Funds"), and the manager (and trustee other than in the case of the classes of shares of CI Sector Fund Limited (formerly C.I. Sector Fund Limited) ("CI Sector")) of the underlying funds (as set out in Schedule "C" to this Decision Document), and other similar funds established by CI from time to time, (together, the "Underlying Funds") for an order pursuant to subsection 59(1) of Schedule I of the Regulation exempting the Underlying Funds from paying duplicate filing fees on an annual basis in respect of the distribution of units or shares (collectively, the "Securities") of the Underlying Funds to the Top Funds, the distribution of Securities of the Underlying Funds to counterparties with whom the RSP Top Funds have entered into forward contracts and on the reinvestment of distributions of such Securities.

AND UPON considering the application and the recommendations of the staff of the Commission.

AND UPON CI having represented to the Commission that:

1. The Top Funds and the Underlying Funds are, or will be, open-end mutual fund trusts or classes of shares of CI Sector, each established under the laws of Ontario. CI is a corporation established under the laws of Ontario.

2. CI is, or will be, the manager and trustee of the Top Funds and Underlying Funds, other than those that are classes of shares of CI Sector.

3. The Top Funds and Underlying Funds are, or will be, reporting issuers and not in default of any requirement of the securities acts or regulations applicable in each of the provinces and territories of Canada. The Securities of the Top Funds and the Securities of the Underlying Funds are, or will be, qualified for distribution pursuant to simplified prospectuses and an annual information form in those jurisdictions.

4. As part of their investment strategy each RSP Top Fund enters into forward contracts or other derivative instruments (the "Forward Contracts") with one or more financial institutions or dealers (the "Counterparties") that link the Top Fund's returns to it's corresponding Underlying Fund.

5. Counterparties may hedge their obligations under the Forward Contracts by investing in Securities (the "Hedge Securities") of the applicable Underlying Fund.

6. As part of their investment strategy, each RSP Top Fund may invest a portion of it's assets directly in Securities of it's corresponding Underlying Fund and each Non-RSP Fund invests substantially all of it's assets in Securities of it's corresponding Underlying Fund (the "Fund-on-Fund Investments").

7. Applicable securities regulatory approvals for the Fund-on-Fund Investments and the RSP Top Funds' and Non-RSP Top Funds' investment strategies have been obtained.

8. Annually, each of the Top Funds will be required to pay filing fees to the Commission in respect of the distribution of its Securities in Ontario pursuant to Section 14 of Schedule I of the Regulation and will similarly be required to pay fees based on the distribution of its Securities in other relevant Canadian jurisdictions pursuant to applicable securities legislation in each of those jurisdictions.

9. Annually, each of the Underlying Funds will be required to pay filing fees in respect of the distribution of its Securities in Ontario, including the distribution of both the Securities to the Top Funds and the Hedge Securities, pursuant to Section 14 of Schedule I of the Regulation and will similarly be required to pay fees based on the distribution of its Securities in other relevant Canadian jurisdictions pursuant to the applicable securities legislation in each of those jurisdictions.

10. A duplication of filing fees pursuant to Section 14 of Schedule I of the Regulation may result when (a) assets of a Top Fund are invested in the applicable Underlying Fund (b) Hedge Securities are distributed and (c) a distribution fee is paid by an Underlying Fund on Securities of the Underlying Fund purchased by the applicable Top Fund or on Hedge Securities which are reinvested in additional Securities of the Underlying Fund (the "Reinvested Securities").

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest.

IT IS ORDERED by the Commission pursuant to subsection 59(1) of Schedule I of the Regulation that the Underlying Funds are exempt from the payment of duplicate filing fees on an annual basis pursuant to Section 14 of Schedule I of the Regulation in respect of the distribution of Securities of the Underlying Funds to the RSP Top Funds, the distribution of Hedge Securities to Counterparties and the distribution of the Reinvested Securities, in connection with any such distributions made on or after June 1, 1999, provided that each Underlying Fund shall include in its notice filed under subsection 14(4) of Schedule I of the Regulation a statement of the aggregate gross proceeds realized in Ontario as a result of the issuance by the Underlying Funds of (1) Securities to the RSP Top Fund (2) Hedge Securities and (3) Reinvested Securities; together with a calculation of the fees that would have been payable in the absence of this Order.

AND IT IS FURTHER ORDERED by the Commission pursuant to subsection 59(1) of Schedule I of the Regulation that the Underlying Funds are exempt from the payment of duplicate filing fees on an annual basis pursuant to Section 14 of Schedule I of the Regulation in respect of the distribution of Securities of the Underlying Funds to the Non-RSP Top Funds and the distribution of the Reinvested Securities, in connection with any such distributions made on or after July 1, 2000, provided that each Underlying Fund shall include in its notice filed under subsection 14(4) of Schedule I of the Regulation a statement of the aggregate gross proceeds realized in Ontario as a result of the issuance by the Underlying Funds of (1) Securities to the Non-RSP Top Funds and (2) Reinvested Securities; together with a calculation of the fees that would have been payable in the absence of this Order.

July 10, 2001.

"Paul M. Moore" "J.A. Geller"

Schedule "A"

RSP TOP FUNDS

BPI American Equity RSP Fund
BPI Global Equity RSP Fund
Landmark American RSP Fund
(formerly CI American RSP Fund)*
CI Emerging Markets RSP Fund*
CI Global Biotechnology RSP Fund*
CI Global Bond RSP Fund*
CI Global Boomernomics® RSP Fund*
CI Global Business-to-Business (B2B) RSP Fund*
CI Global Consumer Products RSP Fund*
CI Global Energy RSP Fund*
CI Global Equity RSP Fund*
CI Global Financial Services RSP Fund*
CI Global Health Sciences RSP Fund*
CI Global Managers RSP Fund*
CI Global Technology RSP Fund*
CI Global Telecommunications RSP Fund*
CI International Balanced RSP Fund*
CI International RSP Fund*
CI Japanese RSP Fund*
CI Pacific RSP Fund*BPI International Equity RSP Fund
CI American Managers RSP Fund*
Landmark Global RSP Fund
Signature American Small Companies RSP Fund
Signature Global Small Companies RSP Fund

* the initials preceding the names of these funds was formerly described as "C.I."

Schedule "B"

NON-RSP TOP FUNDS

BPI American Equity Sector Shares
(formerly BPI American Equity Value Sector Shares)
BPI Global Equity Sector Shares
(formerly BPI Global Equity Value Sector Shares)
BPI International Equity Sector Shares
(formerly BPI International Equity Value Sector Shares)
Landmark American Sector Shares
(formerly CI American Sector Shares)*
CI Canadian Sector Shares*
CI Emerging Markets Sector Shares*
CI Global Sector Shares*
CI Latin American Sector Shares*
CI Pacific Sector Shares*
CI European Sector Shares*
(formerly Hansberger European Sector Shares)
CI International Value Sector Shares*
(formerly Hansberger International Sector Shares)
CI Global Value Sector Shares*
(formerly Hansberger Value Sector Shares)
Harbour Sector Shares
Signature American Small Companies Sector Shares
Signature Canadian Sector Shares
Signature Explorer Sector Shares
Signature Global Small Companies Sector Shares
of
CI Sector Fund Limited

* the initials preceding the names of these funds was formerly described as "C.I."

Schedule "C"

UNDERLYING FUNDS

BPI American Equity Fund
(formerly BPI American Equity Value Fund)
BPI Global Equity Fund
(formerly BPI Global Equity Value Fund)
Landmark American Fund
(formerly CI American Fund)*
CI Emerging Markets Fund*
CI World Bond Fund*
CI Global Fund*
CI International Balanced Fund*
CI International Fund*
CI Pacific Fund*
BPI International Equity Fund
(formerly BPI International Equity Value Fund)
CI Canadian Growth Fund*
CI Latin American Fund*
CI European Fund*
(formerly Hansberger European Fund)
CI International Value Fund*
(formerly Hansberger International Fund)
CI Global Value Fund*
(formerly Hansberger Value Fund)
Harbour Fund
Signature American Small Companies Fund
Signature Canadian Fund
Signature Explorer Fund
Signature Global Small Companies Fund

CI Global Biotechnology Sector Shares*
CI Global Boomernomics® Sector Shares*
CI Global Business-to-Business (B2B) Sector Shares*
CI Consumer Products Sector Shares*
CI Global Energy Sector Shares*
CI Global Financial Services Sector Shares*
CI Global Health Sciences Sector Shares*
CI Global Managers Sector Shares*
CI Global Technology Sector Shares*
CI Global Telecommunications Sector Shares*
CI Japanese Sector Shares*
of
CI Sector Fund Limited

* the initials preceding the names of these funds was formerly described as "C.I."

2.2.3 Buckingham Securities Corporation - ss. 127(1)

**IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c.S.5, AS AMENDED**

AND

**IN THE MATTER OF
BUCKINGHAM SECURITIES CORPORATION**

TEMPORARY ORDERS (SUBSECTION 127 (1))

IT APPEARS to the Ontario Securities Commission (the "Commission") that:

1. Buckingham Securities Corporation ("Buckingham") is registered under Ontario securities law as a securities dealer.

2. Lloyd Bruce ("Bruce") is registered under Ontario Securities law and is the President and compliance officer of Buckingham. David Bromberg ("Bromberg") is registered under Ontario securities law as a salesperson and is a director of Buckingham. Harold Seidel is not registered in any capacity under Ontario securities law, but appears to be as one of the principals of Buckingham.

3. Buckingham has approximately 14 registered salespersons and approximately 2,400 client accounts.

4. Buckingham has a capital deficiency of at least $1 million as at May 31, 2001 contrary to the requirements set out in section 107 of the Regulation to Act that Buckingham maintain adequate capital at all times.

5. Buckingham has failed to deliver to the Commission within ninety days after the end of its financial year a report prepared in accordance with Form 9 contrary to the requirement contained in section 142 of the Regulation to the Act.

6. Buckingham has failed to segregate securities held for its clients as required under section 117 of the Regulation to the Act. Further, securities owned by clients of Buckingham are held in an account or accounts in the name of Buckingham with the following brokers: Rampart Securities Inc., W.D. Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation and B2B Trust (collectively, referred to as the "Brokers"). Buckingham has liabilities in relation to some of the accounts and it appears that securities owned by clients are being used as security for such liabilities, contrary to the requirements set out in Ontario Securities law, and in particular, subsection 2.1(1) and (2) of Rule 31.505 that Buckingham deal fairly, honestly and in good faith with its clients.

7. Buckingham has breached the terms and conditions of its registration contrary to section 25 of the Act. In particular, as a term and condition of Buckingham's registration, Buckingham was required to increase its capital by depositing and subordinating 100,000 shares of Media Communications Group ("Media") on June 27, 2001. In relation to this term of registration, Staff required that the shares being subordinated were not over the counter or bulletin board stock. Seidel, on behalf of Buckingham, represented to Staff that the Media shares were traded on Nasdaq. Buckingham provided to Staff a subordination agreement subordinating the 100,000 shares of Media. However, contrary to Seidel's representation, the Media shares are in fact bulletin board stock.

8. Having regard to the foregoing, Buckingham has acted contrary to the public interest and in breach of Ontario securities law as described above. Bruce, Bromberg and Seidel have authorized, permitted or acquiesced in the conduct of Buckingham described above and/or acted contrary to the public interest.

9. Pursuant to subsection 127(5) of the Act, the Commission is of the opinion that the length of time required for a hearing could be prejudicial to the public interest;

AND WHEREAS by Commission Order made March 9, 2001, pursuant to section 3.5(3) of the Act, any one of David A. Brown, Howard Wetston or Paul Moore, acting alone, is authorized to make orders under section 127 of the Act;

IT IS THEREFORE ORDERED that pursuant to clause 2 of subsection 127 of the Act that trading in any securities by Buckingham, Bruce, Bromberg and Seidel cease;

IT IS FURTHER ORDERED that pursuant to clause 1 of subsection 127(1) of the Act that the registration of Buckingham be suspended;

IT IS FURTHER ORDERED that pursuant to clause 2 of subsection 127(1) of the Act that trading in securities by Rampart Securities Inc., W.D. Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation, Caldwell Securities Limited and B2B Trust (collectively, referred to as the "Brokers") cease, on the term that trading cease by the Brokers only in respect of securities held in an account or accounts in the name of Buckingham with each of the Brokers;

IT IS FURTHER ORDERED that pursuant to clause 6 of subsection 127(1) of the Act that the aforesaid order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by the Commission.

July 6, 2001.

"Paul Moore"

2.2.4 Buckingham Securities Corporation - s. 127

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, C.S.5, AS AMENDED

AND

IN THE MATTER OF
BUCKINGHAM SECURITIES CORPORATION,
LLOYD BRUCE,
DAVID BROMBERG,
HAROLD SEIDEL,
RAMPART SECURITIES INC.,
W.D. LATIMER CO. LIMITED,
CANACCORD CAPITAL CORPORATION,
BMO NESBITT BURNS INC.,
BEAR, STEARNS & CO. INC.,
DUNDEE SECURITIES CORPORATION
CALDWELL SECURITIES LIMITED, AND
B2B TRUST

ORDER
(Sections 127)

WHEREAS on the 6th day of July, 2001, the Ontario Securities Commission (the "Commission") ordered, pursuant to clause 2 of subsection 127(1) of the *Securities Act*, R.S.O. 1990, C.s.5, as amended (the "Act"), that trading in any securities by Buckingham Securities Corporation ("Buckingham"), Lloyd Bruce ("Bruce"), David Bromberg ("Bromberg") and Harold Seidel ("Seidel") cease;

AND WHEREAS the Commission further ordered, pursuant to clause 1 of subsection 127(1) of the Act, that the registration of Buckingham be suspended;

AND WHEREAS the Commission further ordered that pursuant to clause 2 of subsection 127(1) of the Act that trading in securities by Rampart Securities Inc., W.D.Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear Stearns & Co. Inc., Dundee Securities Corporation, Caldwell Securities Limited and B2B Trust (collectively, referred to as the "Brokers") cease, on the term that trading cease by the Brokers only in respect of securities held in an account or accounts in the name of Buckingham with each of the Brokers (collectively referred to in this paragraph and the aforementioned paragraphs as the "Temporary Order");

AND WHEREAS the Commission further ordered that pursuant to clause 6 of subsection 127(1) of the Act that the Temporary Order referred to above shall take effect immediately and shall expire on the fifteenth day after its making unless extended by the Commission;

AND WHEREAS on July 6, 2001, Staff of the Commission issued a Notice of Hearing (the "Notice of Hearing") pursuant to sections 127 and 127.1 of the Act in respect of Buckingham Securities Corporation, Lloyd Bruce, David Bromberg and Harold Seidel, and the Brokers

(collectively, referred to as the "Respondents"), scheduled for a hearing before the Commission on Friday, July 20, 2001;

AND WHEREAS the Commission has been advised that the Respondents were duly served with the Temporary Order and the Notice of Hearing;

AND WHEREAS the Commission has been advised that Staff of the Commission is continuing its investigation of this matter;

AND WHEREAS the Commission has been advised that the application by the Commission (through its Staff) to the Ontario Superior Court of Justice for the appointment of BDO Dunwoody Limited as Receiver and Manager of the property of Buckingham has been adjourned until Thursday, July 26, 2001, on the basis of representations by Buckingham to Staff that Buckingham is putting forward a plan to settle all its outstanding liabilities to clients and certain of the Brokers;

AND WHEREAS B2B Trust and Laurentian Bank Securities Inc. ("Laurentian Bank Securities") have confirmed to Staff that accounts in the name of Buckingham are held with Laurentian Bank Securities and not B2B Trust;

AND WHEREAS Staff of the Commission has requested that the Temporary Order in respect of B2B Trust expire on July 20, 2001, and that the Temporary Order be modified so that trading in securities by Laurentian Bank Securities cease, on the term that trading cease by Laurentian Bank Securities only in respect of securities held in an account or accounts in the name of Buckingham;

AND WHEREAS in view of the circumstances outlined above, Staff of the Commission further requests that this proceeding be adjourned sine die, to be returnable on no less that seven days' notice;

AND WHEREAS the Commission considers it to be in the public interest to make this Order;

IT IS HEREBY ORDERED pursuant to section 127(7) of the Act that the Temporary Order made by the Commission on July 6, 2001 is extended against the Respondents until this hearing is concluded, with the following variations:

(i) pursuant to clause 2 of subsection 127(1) of the Act trading in securities by Laurentian Bank Securities shall cease effective today, on the term that trading cease by Laurentian Bank Securities only in respect of securities held in an account or accounts in the name of Buckingham;

(ii) the Temporary Order made by the Commission on July 6, 2001 pursuant to clause 2 of subsection 127(1) of the Act that trading in securities by B2B Trust cease, expires effective today; and

(iii) the Temporary Order issued on July 6, 2001, and as modified by this Order shall substitute the name Laurentian Bank Securities for the name B2B Trust wherever the name B2B Trust appears.

IT IS FURTHER ORDERED that any party may apply for such further order, including an order to vary this Order, to be returnable on three days' notice to every other party, to this proceeding.

IT IS FURTHER ORDERED that pursuant to section 21 of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended, this hearing is adjourned *sine die*, to be returnable on no less than seven days' notice.

July 20, 2001.

"Theresa McLeod" "Paul Moore"

2.2.5 Northstar Drilling Systems Inc. - s. 83

Headnote

Issuer deemed to have ceased to be reporting issuer under the Act.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 1(1), 6(3) and 83.

IN THE MATTER OF
THE SECURITIES ACT
(R.S.O. 1990, CHAPTER S.5, AS AMENDED) (THE "ACT")

AND

IN THE MATTER OF
NORTHSTAR DRILLING SYSTEMS INC.

ORDER
(SECTION 83)

1. **WHEREAS** Northstar Drilling Systems Inc. ("Northstar") has made an application to the Ontario Securities Commission (the "Commission") for an order pursuant to section 83 of the Act to be declared to be no longer a reporting issuer;

2. **AND WHEREAS** it was represented by Northstar to the Commission that:

   2.1 Northstar was incorporated under the *Business Corporations Act* (Alberta) on July 26, 1994;

   2.2 Northstar is presently a reporting issuer under the Act;

   2.3 Northstar is not in default of any of its obligations as a reporting issuer in Ontario save for: i) its failure to file and deliver its annual financial statements for the period ending December 31, 2000, which were due to be filed and delivered on May 22, 2001; ii) its failure to file and deliver its Annual Information Form for the period ending December 31, 2000, which were due to be filed and delivered on May 22, 2001; and iii) its failure to file and deliver its first quarter interim financial statements for the period ending March 31, 2001, which were due to be filed and delivered on May 30, 2001;

   2.4 the authorized capital of Northstar consists of an unlimited number of Class A common shares (the "Shares"), an unlimited number of Class B non-voting shares (the "Class B Shares") and an unlimited number of Class C and Class D Preferred Shares (collectively, the "Preferred Shares"), of which 18,272,007 Shares, no Class B Shares and no Preferred Shares are issued and outstanding;

   2.5 pursuant to a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta), NQL Drilling Tools Inc. ("NQL") has acquired all of the issued and outstanding Shares on the basis of 0.2 of a Class A common share of NQL ("NQL Shares") for each issued and outstanding Share and has effected the cancellation of all existing options to purchase Northstar shares (the "NDS Options") by issuing a warrant of NQL entitling the holders to purchase 0.2 of one NQL Share for each Share which the holder was entitled to purchase on exercise of an NDS Option;

   2.6 the implementation of the Arrangement was made pursuant to an arrangement agreement dated April 4, 2001;

   2.7 the Arrangement received the requisite shareholder approval on May 14, 2001 and a final court order approving the Arrangement was issued by the Court of Queens Bench for the Province of Alberta on May 15, 2001;

   2.8 Articles of Arrangement were filed with the Registrar of Companies for Alberta on May 15, 2001;

   2.9 as a result of the completion of the Arrangement, all of the issued and outstanding securities of Northstar are held by NQL and as such Northstar has become a wholly owned subsidiary of NQL;

   2.10 there are no other securities of Northstar, including debt securities, currently issued and otustanding other than the Shares;

   2.11 the Shares have been de-listed from the Toronto Stock Exchange effective May 31, 2001 and no securities of Northstar are listed or quoted on any exchange or market;

   2.12 Northstar does not intend to seek public financing by way of an offering of its securities;

3. **AND WHEREAS** the Commission is satisfied that to do so would not be prejudicial to the public interest;

4. **IT IS HEREBY ORDERED** pursuant to section 83 of the Act that Northstar is declared to be no longer a reporting issuer effective as of the date of this order.

July 16, 2001.

"John Hughes"

2.2.6 Uniforêt Inc. - ss. 88(2)(b)

Headnote

Paragraph 88(2)(b) of the Act — issuer granted relief from the requirement to prepare and file and mail an information circular to security holders in connection with a meeting of creditors pursuant to a court order made under *Companies' Creditors Arrangement Act* (Canada).

National Policy 41 — issuer granted relief from certain provisions Part IV of National Policy 41 provided meeting materials delivered to intermediaries for mailing to holders of securities no later than 20 days prior to meeting date.

Applicable Ontario Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 81(1), 86(1)(a) and 88(2)(b).

Applicable Ontario Policies Cited

National Policy Statement 41 Shareholder Communication, Part IV, Sections 1 to 6

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
NATIONAL POLICY STATEMENT NO. 41
- SHAREHOLDER COMMUNICATION ("NP 41")

AND

IN THE MATTER OF
UNIFORÊT INC.

AND

IN THE MATTER OF
A PROPOSAL TO THE HOLDERS
OF 8% CONVERTIBLE UNSECURED SUBORDINATED
DEBENTURES, SERIES A, MATURING IN 2006

ORDER
(Subsection 88(2)(b) of the Act and Part XII of NP 41)

UPON the application (the "Application") of Uniforêt Inc. ("Uniforêt") to the Commission for

(a) an order pursuant to subsection 88(2)(b) of the Act that Uniforêt be exempt from the obligations set forth in subsections 81(1) and 86(1)(a) of the Act concerning the filing and delivery of a circular; and

(b) an order pursuant to section 3 of Part XII of NP 41 that Uniforêt be exempt from the requirements of sections 1 to 6 of Part IV of NP 41;

AND UPON considering the Application and the recommendation of staff of the Commission;

AND UPON Uniforêt having represented to the Commission as follows:

1. Uniforêt is a corporation incorporated under the *Canada Business Corporations Act*. Its head office is located at 8000 Langelier Boulevard, Suite 506, Saint-Leonard, Quebec.

2. Uniforêt is a reporting issuer in Ontario and is not in default of any of the requirements of the Act. Pursuant to a decision document dated May 30, 2001, Uniforêt has been permitted to file its quarterly financial statements, including interim MD&A, where applicable, for the period ended March 31, 2001 by July 30, 2001.

3. Uniforêt is an integrated forest products company that produces softwood lumber and bleached chemi-thermomechanical pulp and operates in the province of Quebec, through its subsidiaries located in Port-Cartier (sawmill) and in the Peribonka region (sawmill).

4. In May 1996, Uniforêt issued 8% convertible unsecured subordinate debentures, series A, maturing in 2006 (the "Debentures"). The aggregate principal amount of the Debentures is $16,554,500.

5. Uniforêt class A subordinate voting shares are listed and posted for trading on the Toronto Stock Exchange (the "TSE") under the trading symbol UNF.A. Uniforêt's debentures are listed and posted for trading on the TSE under the trading symbol UNF.DB.

6. Over the last few months, Uniforêt has experienced cash flow difficulties. On several occasions it has issued press releases announcing that it was no longer able to meet all of its financial obligations.

7. As a result of the financial difficulties experienced by Uniforêt, on April 17, 2001, Uniforêt applied for, and obtained, an Order from the Superior Court of the Province of Quebec, district of Montreal (the "Court"), under the *Companies' Creditors Arrangement Act* (the "CCAA"), as extended (the "CCAA Order") under which, amongst other things, all legal proceedings against Uniforêt were stayed for a period of at least 30 days from the date of the grant of the CCAA Order.

8. The CCAA Order also stated that Uniforêt shall submit a proposal for a plan of arrangement or compromise (the "Plan of Arrangement") to its creditors within the same period of 30 days from the date of the grant of the CCAA Order.

9. On May 16, 2001, an extension of the CCAA Order for an additional 45-day period was obtained by Uniforêt for submitting the Plan of Arrangement to its creditors. On July 6, 2001, a new extension for an additional 45 day period was obtained.

10. The trustee under the indenture relating to the Debentures is General Trust of Canada. On July 6, 2001, search cards were delivered by General Trust of Canada to participants and intermediaries (as defined in Part IV of NP 41), at the addresses provided by CDS on same date.

11. Until now, the trustee has not taken any action in connection with the CCAA Order.

12. On July 11, 2001, Uniforêt submitted the Plan of Arrangement to the Court pursuant to the CCAA. Uniforêt will seek approval of the Plan of Arrangement by its creditors at a meeting to be held on or about August 15, 2001 (the "Creditors' Meeting"), in accordance with the CCAA Order and the CCAA.

13. Richter & Associates Inc. was appointed as monitor by the CCAA Order. Richter is preparing an independent report in accordance with the CCAA Order (the "Richter Report").

14. The following materials will be delivered to intermediaries for mailing to holders of the Debentures no later than 20 days prior to the Creditors' Meeting: (a) a copy of the Plan of Arrangement; (b) a letter of explanation from Uniforêt's management; (c) a copy of the Richter Report; and (d) a proxy form ((a), (b), (c) and (d), together the "Meeting Materials"). These are the same materials that will be provided to each of Uniforêt's other classes of creditors. A copy of the Meeting Materials will contemporaneously be filed with the Commission.

15. The Meeting Materials will provide holders of the Debentures with appropriate information on which to base their decision to vote on the Proposal.

16. The Meeting Materials will be delivered to the beneficial holders of the Debentures who held such Debentures as of July 10, 2001 no less than 10 days prior to the Creditors' Meeting, therefore allowing such holders sufficient time to review Meeting Materials in advance of the Creditors' Meeting.

17. Uniforêt will place advertisements in two newspapers of national circulation no less than 5 days prior to the Creditors' Meeting. The advertisements will advise beneficial holders of the Debentures of their right to attend the Creditors' Meeting and to vote on the Plan of Arrangement. The advertisements will also advise beneficial holders of Debentures that copies of the Meeting Materials will be available upon request and at no charge upon from Uniforêt and General Trust Canada up to the commencement of the Creditors' Meeting.

18. In the CCAA Order, the Court ordered and requested the aid and recognition of regulatory or administrative bodies in all provinces or territories of Canada, in carrying out the terms of the CCAA Order.

AND UPON the Commission being satisfied that there is adequate justification for doing so;

IT IS ORDERED pursuant to subsection 88(2)(b) of the Act that Uniforêt shall not be subject to the obligations set forth in subsections 81(1) and 86(1)(a) of the Act, concerning the filing and delivery of a circular, provided Uniforêt files and delivers the Meeting Materials in accordance with the foregoing; and

IT IS FURTHER ORDERED pursuant to section 3 of Part XII of NP 41 that Uniforêt shall not be subject to the requirements of sections 1 to 6 of Part IV of NP 41, provided that the Meeting Materials are delivered to intermediaries for mailing to holders of the Debentures no later than 20 days prior to the date of the Creditors' Meeting.

July 20, 2001.

"Paul Moore" "K.D. Adams"

2.3 Rulings

2.3.1 1483056 Ontario Limited - ss. 59(2) of Schedule 1

Headnote

Subsection 59(2) of Schedule 1 to the Regulation under the *Securities Act* - reduction in fee otherwise due as a result of a take-over bid in connection with an internal corporate reorganization involving no change in beneficial ownership.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., clause 93(1)(c).

Regulation Cited

Regulation made under the *Securities Act*, R.R.O. 1990, Reg. 1015, as am., Schedule 1, ss. 32(1) and 59(2).

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
THE REGULATION UNDER THE SECURITIES ACT,
R.R.O. 1990,
REGULATION 1015, AS AMENDED (the "Regulation")

AND

IN THE MATTER OF
1483056 ONTARIO LIMITED

RULING
(Subsection 59(2) of Schedule 1)

UPON the application (the "Application") of 1483056 Ontario Limited (the "Applicant") to the Ontario Securities Commission (the "Commission") for a ruling, pursuant to subsection 59(2) of Schedule 1 (the "Schedule") to the Regulation exempting the Applicant from payment in part of the fee payable pursuant to section 32(1) of the Schedule;

AND UPON reading the Application and the recommendation of the staff of the Commission;

AND UPON the Applicant having represented to the Director as follows:

1. The Applicant is a corporation incorporated under the laws of Ontario and is not a reporting issuer under the Act. The Applicant is a wholly-owned subsidiary of TLT Investments Corp. ("TLTIC").

2. On June 28, 2001, the Applicant acquired 183,087 common shares of The Thomson Corporation ("TTC") (the "Shares") from TLTIC with the consideration therefor being satisfied by common shares of the Applicant.

3. The Applicant and TLTIC are both controlled by Kenneth R. Thomson and, as a result, the Applicant and TLTIC are affiliated corporations. Because the Applicant is deemed to own beneficially all of the TTC shares beneficially owned by companies controlled by Kenneth R. Thomson, the acquisition of the Shares by the Applicant resulted in the Applicant owning in excess of 20% of the outstanding common shares of TTC. Accordingly, the acquisition of the Shares by the Applicant constituted a take-over bid under the Act.

4. The Shares were acquired pursuant to the take-over bid exemption in clause 93(1)(c) of the Act.

5. The transaction was an internal corporate reorganization within the same control group and did not result in a change in beneficial ownership of the Shares.

6. In the absence of the relief provided by this ruling and pursuant to the formula in clause 32(1)(b) of the Schedule, the Applicant would be required to pay a fee of $1,524.27 as a result of the transaction described above.

AND UPON the Director being satisfied that to do so would not be prejudicial to the public interest;

IT IS RULED, pursuant to subsection 59(2) of the Schedule, that the Applicant be exempt from the requirement to pay the fee otherwise payable pursuant to clause 32(1)(b) of the Schedule, provided that the minimum fee of $800.00 is paid.

July 20, 2001.

"Ralph Shay"

2.3.2 Greater Lenora Resources Corp. and 3851419 Canada Inc. - ss. 74(1)

Headnote

Subsection 74(1) - relief from section 53 granted for certain trades by control persons and optionholders in shares received in connection with a plan of arrangement and the transfer of portion of issuer's business into new publicly held corporation -- reporting issuer history of issuer considered in determining restrictions on resale of securities of new issuer.

Ontario Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 72(1)(i), 72(5), 72(7), 74(1).

Ontario Rules Cited

Rule 45-501 Exempt Distributions (1998), 21 O.S.C.B. 6548, s. 3.11.

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
GREATER LENORA RESOURCES CORP.
AND 3851419 CANADA INC.

RULING
(Subsection 74(1))

UPON application from Greater Lenora Resources Corp. ("Greater Lenora") and 3851419 Canada Inc. ("MinCo") for a ruling pursuant to subsection 74(1) of the Act that certain first trades in securities to be distributed in connection with an arrangement involving Greater Lenora, MinCo and 3796299 Canada Inc. ("3796299") shall not be subject to section 53 of the Act, subject to certain conditions;

AND UPON considering the application and the recommendation of the staff of the Commission;

AND UPON Greater Lenora and 3851419 having represented to the Commission that:

1. Greater Lenora is a corporation continued under the Canada Business Corporations Act (the "CBCA") with its head office in Kirkland Lake, Ontario. The authorized capital of Greater Lenora consists of an unlimited number of common shares (the "Common Shares") and an unlimited number of preferred shares (the "Preferred Shares"). As at June 6, 2001, the Corporation had outstanding 11,467,124 Common Shares, 1,500,000 options to acquire Common Shares (the "Options") and 314,020 Warrants to acquire Common Shares (the "Warrants"). No Preferred Shares are issued or outstanding.

2. Greater Lenora is engaged in the exploration and development of mineral properties primarily located in Canada.

3. Greater Lenora is, and has been for a period in excess of 18 months, a reporting issuer or the equivalent thereof in British Columbia, Ontario and Quebec.

4. The Common Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE").

5. MinCo is a corporation incorporated under the CBCA with its head office in Toronto, Ontario. The authorized capital of MinCo consists of an unlimited number of common shares (the "MinCo Common Shares") and an unlimited number of preferred shares. As at June 6, 2001, there was one MinCo Common Share issued and outstanding; which is held by Greater Lenora. There are no MinCo preferred shares issued and outstanding.

6. MinCo was incorporated in order to participate in the Arrangement.

7. MinCo is not currently a reporting issuer.

8. The TSE has conditionally approved the listing of the MinCo Common Shares to be issued in connection with the Arrangement.

9. 3796299 is a corporation incorporated under the CBCA with its head office in Vancouver, British Columbia. The authorized capital of 3796299 consists of an unlimited number of common shares and an unlimited number of preferred shares. As at June 6, 2001 there was one 3796299 common share issued and outstanding, which is held by Glacier Ventures International Corp., a publicly-traded company listed on the TSE. There are no 3796299 preferred shares issued or outstanding.

10. 3796299 is not a reporting issuer.

11. The proposed transaction is the investment by 3796299 in Greater Lenora and the reorganization of Greater Lenora into two corporations, one, MinCo, with the existing assets of Greater Lenora and the second, the former Greater Lenora, which intends to acquire an operating business in the information communications area. Under the terms of an arrangement agreement (the "Arrangement Agreement") among Greater Lenora, MinCo, 3796299 and Glacier Ventures International Corp., Greater Lenora and MinCo agreed, subject to court and shareholder approval, to effect a plan of arrangement (the "Arrangement") pursuant to Section 192 of the CBCA. The result of the Arrangement to the Shareholders of Greater Lenora will be that they will hold all of the shares of MinCo, a new corporation with the identical assets and capital structure to the existing Greater Lenora. In addition, they will hold 55% of the voting common shares (the "Voting Shares") and 45% of the non-voting shares (the "Non-Voting Shares") of Greater Lenora following the

arrangement. 3796299 will hold 45% of the Voting Shares and 55% of the Non-Voting Shares of Greater Lenora following the arrangement. Pursuant to the Arrangement, Greater Lenora will transfer all of its assets and liabilities to MinCo. Following the Arrangement, Greater Lenora will have no assets or liabilities and will seek to recapitalize itself in order to acquire an operating business in the information communications area.

12. The Arrangement requires approval by the Supreme Court of British Columbia (the "BC Court"). On June 5, 2001, the BC Court granted an interim order (the "Interim Order") with respect to certain matters relating to the conduct of the Greater Lenora Meeting (as defined below).

13. The holders of Common Shares, Options and Warrants approved the Arrangement at the annual and special meeting held on June 28, 2001, in Toronto, Ontario (the "Greater Lenora Meeting"). 3796299 will be asked to approve the Arrangement by written consent resolution. Greater Lenora holds the sole outstanding common share of MinCo and will consent in favour of the Arrangement.

14. The Arrangement was approved by 99.7% of the votes cast by holders of Common Shares, Options and Warrants at the Greater Lenora Meeting.

15. A management information circular (the "Circular") was forwarded to holders of Common Shares, Options and Warrants in connection with the Greater Lenora Meeting and contains, among other things, prospectus level disclosure of the business and affairs of each of MinCo and Greater Lenora, and of the particulars of the Arrangement, including pro forma financial information respecting MinCo and Greater Lenora following the Arrangement.

16. Prior to the Effective Date of the Arrangement, 3796299 will have invested $300,000 in Greater Lenora in exchange for a convertible note (the "Convertible Note"). In accordance with the Arrangement Agreement, $150,000 of the investment has been delivered to Greater Lenora and the balance of $150,000 is to be delivered prior to the effective date of the Arrangement. Pursuant to the Arrangement, the Convertible Notes are convertible into 45% of the Voting Shares and 55% of the Non-Voting shares following the Arrangement. If for some reason the Arrangement does not occur, then depending upon certain conditions, the Convertible Notes will be repaid to 3796299 in cash or converted into Common Shares at the average trading price of the Common Shares.

17. The following describes the principal steps of the Arrangement and the trades and distributions to be made in connection with the Arrangement.

(a) Greater Lenora will transfer and assign to MinCo all of its assets, except for the shares of RJK Explorations Ltd. (the "RJK Shares") which it owns, and MinCo will assume all of the liabilities of Greater Lenora except for the Convertible Notes, and Greater Lenora will issue to MinCo a non-interest bearing promissory note payable on demand which may be satisfied by the transfer of the RJK Shares (the "RJK Note"), all in exchange for (i) a non-interest bearing promissory note (the "Adjustment Amount Promissory Note") in an amount (the "Adjustment Amount") equal to the value of the RJK Note plus the fair market value of the current assets less liabilities of Greater Lenora; and (ii) 2,200 MinCo Preferred Shares;

(b) Greater Lenora will amend its share capital to create Voting Shares, Non-Voting Shares and preferred shares (the "Greater Lenora Preferred Shares");

(c) each Common Share will be exchanged with Greater Lenora for one Voting Share, one Non-Voting Share and one Greater Lenora Preferred Share;

(d) optionholders will have their Options exchanged for options of MinCo (the "MinCo Options") on the basis that the number of MinCo Common Shares issued upon the exercise of a MinCo Option will be equal to the number of Common Shares that such optionholder was previously entitled to acquire. The option plan of Greater Lenora will then be cancelled;

(e) warrantholders will have their Warrants exchanged for warrants of MinCo (the "MinCo Warrants") on the basis that the warrantholder will be entitled to receive on exercise of a MinCo Warrant that number of MinCo Common Shares at the exercise price as is equal to the number of Common Shares that the warrantholder was previously entitled to acquire at the exercise price the warrantholder was previously required to pay. The Warrants will then be cancelled;

(f) all Greater Lenora Preferred Shares will be exchanged with MinCo on the basis of one MinCo Common Share for each Greater Lenora Preferred Share;

(g) the one MinCo Common Share held by Greater Lenora will be cancelled;

(h) MinCo will redeem the MinCo Preferred Shares held by Greater Lenora in exchange for a $2,200,000 promissory note payable by MinCo to Greater Lenora. The redeemed MinCo Preferred Shares will be cancelled;

(i) Greater Lenora will redeem the Greater Lenora Preferred Shares held by MinCo at an aggregate redemption price of

$2,200,000 plus the Adjustment Amount. The redemption amount will be paid by setting off the $2,200,000 promissory note owing from MinCo to Greater Lenora and the Adjustment Amount Promissory Note;

(j) The RJK Shares will be transferred by Greater Lenora to MinCo in exchange for setting off the RJK Note; and

(k) On the day following the Effective Date, 3796299 will convert the Convertible Notes into that number of Voting Shares and Non-Voting Shares such that 3796299 will own 45% of the Voting Shares and 55% of the Non-Voting Shares.

18. There is no exemption from section 53 of the Act available to permit any person or company or any combination of persons or companies holding a sufficient number of any securities of MinCo so as to materially affect the control of MinCo or holding more than 20% of the outstanding voting securities of MinCo (generally, a "Control Person") to trade MinCo Common Shares acquired in connection with the Arrangement that have not been held by a Control Person for a period of at least six months.

19. There is no exemption from section 53 of the Act available to permit a person to trade MinCo Common Shares acquired upon exercise of the MinCo Options or MinCo Warrants received in connection with the Arrangement unless MinCo has been a reporting issuer for at least 12 months.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS RULED pursuant to subsection 74(1) of the Act that a trade by a Control Person in MinCo Common Shares received pursuant to the Arrangement in exchange for Common Shares previously held by a Control Person or on exercise of MinCo Options received pursuant to the Arrangement in exchange for Options previously held by a Control Person shall not be subject to section 53 of the Act provided that:

1. MinCo is a reporting issuer;

2. the seller, unless exempted by the regulations to the Act, files with the Commission at least seven days and not more than fourteen days prior to the trade:

   A. a notice of intention to sell in the form prescribed by the regulations to the Act disclosing particulars of the control position known to the seller, the number of securities to be sold and the method of distribution, and

   B. a declaration signed by each seller as at a date nor more than twenty-four hours prior to its filing and prepared and executed in accordance with the regulations and certified as follows:

   > "The seller for whose account the securities to which this certificate relates are to be sold hereby represents that the seller has no knowledge of any material change which has occurred in the affairs of the issuer of the securities which has not been generally disclosed and reported to the Commission, nor has the seller any knowledge of any other material adverse information in regard to the current and prospective operations of the issuer which have not been generally disclosed.";

3. such trade complies with the conditions in paragraph 72(7)(c) of the Act;

4. the Control Person has held either: (i) the MinCo Common Shares; (ii) an equivalent number of Common Shares or Options that were exchanged for the MinCo Common Shares or MinCo Options pursuant to the Arrangement; or (iii) the MinCo Options received in exchange for Options pursuant to the Arrangement; for a combined period of at least six months;

5. the Control Person has not acquired any MinCo Common Shares pursuant to one of the trades or exemptions enumerated in subsection 3.11(2) of Rule 45-501 Exempt Distributions during the six month period referred to in paragraph 3 of the operative part of this Ruling above other than the MinCo Common Shares received pursuant to the Arrangement or on exercise of MinCo Options received pursuant to the Arrangement; and

6. if any of the Options were issued pursuant to one of the trades or exemptions enumerated in subsection 72(4) of the Act, the Control Person has held either: (i) the Options; (ii) the MinCo Common Shares received upon the exercise of the MinCo Options; or (iii) the MinCo Options received in exchange for the Options pursuant to the Arrangement; for a combined period of at least 12 months.

AND IT IS FURTHER RULED pursuant to subsection 74(1) of the Act that a trade by a person, other than a Control

Person, in MinCo Common Shares received upon exercise of MinCo Options or MinCo Warrants issued pursuant to the Arrangement shall not be subject to Section 53 of the Act provided that:

1. MinCo is a reporting issuer;

2. such trade complies with the conditions in paragraph 72(5)(c) of the Act; and

3. if the Options or the Warrants were issued pursuant to one of the trades or exemptions enumerated in subsection 72(4) of the Act, such person has held either: (i) the MinCo Common Shares; (ii) the MinCo Options or MinCo Warrants received in exchange for the Options or Warrants pursuant to the Arrangement; or (iii) the Options or the Warrants; for a combined period of at least 12 months.

July 17, 2001.

"Paul M. Moore" "J. A. Geller"

2.3.3 Accenture Ltd. - ss. 74(1)

Headnote

Section 74(1) - prospectus and registration relief for trades of shares of a foreign issuer to 2 Ontario residents under a directed share program.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., 25, 53, 74(1).

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am.

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
ACCENTURE LTD.

RULING
(Subsection 74(1))

UPON the application (the "**Application**") of Accenture Ltd. ("the **Applicant**") to the Ontario Securities Commission (the "**Commission**") for a ruling pursuant to subsection 74(1) of the Act that certain trades in the Class A Common Shares of the Applicant (the "**Common Shares**") to be made pursuant to a directed share program (the "**Program**") to two former employees (partners) of the Applicant residing in the Province of Ontario who elect to participate in the Program (the "**Ontario Participants**") by Salomon Smith Barney Inc. ("**SSB**" or the "**Plan Administrator**"), shall not be subject to sections 25 and 53 of the Act;

AND UPON considering the Application and the recommendation of staff of the Commission;

AND UPON the Applicant having represented to the Commission as follows:

1. The Applicant is a corporation incorporated under the laws of Bermuda and is not a reporting issuer under the Act and has no present intention of becoming a reporting issuer under the Act.

2. The Applicant is currently in the process of completing an initial public offering of the Common Shares (the "IPO") in the United States and in connection therewith has filed a registration statement on Form S-1, as amended (the "Preliminary Prospectus").

3. The Applicant proposes to offer 115,000,000 Common Shares under the IPO.

4. Upon completion of the IPO, the Common Shares will be quoted on the New York Stock Exchange ("**NYSE**").

5. In connection with the IPO, the Program is being made available to former partners of the Applicant ("**Related Investors**"), including the Ontario Participants.

6. Participation in the Program is voluntary and the Preliminary Prospectus, prepared in accordance with U.S. Securities laws, will be forwarded to each Ontario Participant who chooses to participate in the Program.

7. The Ontario Participants will receive an information package from SSB which will include a summary of the terms of the Program.

8. The Ontario Participants who choose to participate in the Program will open a limited purpose account with SSB. Only shares of the Applicant will be held in such an account and the account will be closed upon the sale of the Common Shares acquired by the Ontario Participant.

9. The Common Shares offered under the Program will be offered at a price equal to the price of the Common Shares offered under the IPO.

10. The Ontario Participants are two (2) former partners of the Applicant.

11. After giving effect to the IPO, the aggregate number of Common Shares held by Ontario residents will be less than 10% of the issued and outstanding Common Shares of the Applicant and the number of registered Ontario residents holding Common Shares will not be more than 10% of the total number of holders of issued and outstanding Common Shares of the Applicant.

12. There is not expected to be a market for the Common Shares in Ontario and it is intended that any resale of Common Shares acquired under the Program will be effected through the facilities of the NYSE in accordance with its rules and regulations.

13. As a result of the relationship between the Applicant and the Ontario Participants, each of the Ontario Participants possess substantial knowledge of the business and affairs of the Applicant.

14. The annual reports, proxy materials and other materials generally distributed to the Applicant's shareholders resident in the United States will be provided to Ontario Participants at the same time and in the same manner as the documents would be provided to United States resident shareholders.

15. The Applicant will not be able to rely on the exemptions from registration and prospectus requirements contained in Ontario Securities Commission Rule 45-503 - *Trades to Employees, Executives and Consultants* that relate to the issuance of securities to employees because there is no employment relationship between the Applicant and the Ontario Participant.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest:

IT IS RULED, pursuant to subsection 74(1) of the Act, that sections 25 and 53 of the Act shall not apply to trades by the Plan Administrator in Common Shares to or with the Ontario Participants pursuant to the Program provided that the first trades, by or on behalf of the Ontario Participants, of Common Shares acquired pursuant to the Program are made through the facilities of a stock exchange outside of Canada.

July 20, 2001.

"Paul M. Moore" "R. Stephen Paddon"

2.3.4 Seismic Warning Systems, Inc. & Tectonics Research Group Inc. - ss. 74(1)

Headnote

Section 74(1) - registration and prospectus relief for issuance of common shares of private U.S. issuer upon the conversion by Ontario shareholders of exchangeable shares issued by a private Canadian issuer - first trade relief for common shares subject to certain conditions.

Statues Cited

Securities Act, R.S.O. 1990, c.S.5, as am. ss. 25(1), 35(2)10, 53(1), 74(1).

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am.

Rules Cited

Ontario Securities Commission Rule 45-501 - Prospectus Exempt Distributions

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, C.S. 5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
SEISMIC WARNING SYSTEMS, INC. AND
TECTONICS RESEARCH GROUP INC.

RULING
(Subsection 74(1))

UPON the application of Seismic Warning Systems, Inc. ("**Seismic**") to the Ontario Securities Commission (the "**Commission**") for a ruling pursuant to section 74(1) of the Act that the issuance by Seismic of common shares of Seismic (the "**Seismic Common Shares**") to the holders (the "**Shareholders**") of exchangeable shares (the "**Exchangeable Shares**") of Tectonics Research Group Inc. ("**Tectonics**") upon the exercise of the rights attaching thereto, as well as the subsequent transfer or resale of such Seismic Common Shares by the holders thereof provided that such resale would be effected outside of Ontario, shall be exempted from the requirements of sections 25(1) and 53(1) of the Act.

AND UPON considering the application and recommendation of the staff of the Commission;

AND UPON Seismic having represented to the Commission that:

1. Seismic is a private Nevada corporation; its shares are not registered in the United States and are not listed for trading on any stock exchange. Seismic is not a reporting issuer in Ontario or any other Province of Canada and is not subject to reporting requirements in the United States under the U.S. *Securities Exchange Act of 1934*, as amended. No market for Seismic's shares exists anywhere in Canada.

2. Seismic has less than 50 shareholders in the aggregate and has no shareholders in Canada, other than the Shareholders who may become shareholders of Seismic by exercising their exchange rights.

3. Seismic's constituting documents do not contain the wording required for Seismic to be considered a "private company" within the meaning of the Act or "private issuer" within the meaning of Ontario Securities Commission Rule 45-501 - *Prospectus Exempt Distributions* ("Rule 45-501").

4. Seismic will be a party to the following series of transactions which will involve the acquisition of Seismic Common Shares by three residents of Ontario:

   (i) Seismic will purchase 1,000 common shares of Tectonics, a private company incorporated pursuant to the Canada Business Corporations Act.

   (ii) The Shareholders will exchange each common share they currently hold in Tectonics for one Exchangeable Share and one Voting Share.

   (iii) Rights attached to the Exchangeable Shares permit the Exchangeable Shares to be exchanged, on a one for one basis, for Seismic Common Shares.

   (iv) Under a support agreement, Seismic will be granted call rights to require the exchange of Exchangeable Shares from the holders thereof in certain circumstances, paying for the Exchangeable Shares with Seismic Common Shares.

5. Tectonics is a "private company" within the meaning of the Act and "private issuer" within the meaning of Rule 45-501.

6. It is unlikely that, if Seismic were to do an initial public offering it would be conducted outside of the United States.

7. Some of the Shareholders will receive Exchangeable Shares and Voting Shares, and, eventually, Seismic Common Shares, with a value in excess of $150,000 in consideration for their shares in Tectonics and, accordingly, the registration exemption available under section 35(1) of the Act and the prospectus exemption available under section 72(1)(d) of the Act, as modified by section 3.1 of Rule 45-501, would be available for such trades. However, these exemptions are not available for all the Shareholders.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS RULED pursuant to section 74(1) of the Act that, sections 25(1) and 53(1) of the Act shall not apply to the issuance of Seismic Common Shares to the holders of the Exchangeable Shares upon the exercise of the rights attaching thereto provided that the first trade of Seismic Common Shares issued in reliance upon this Ruling shall be a distribution under the Act unless such first trade is made outside of Ontario and the representations set out in paragraph 1 of this Ruling are true at the time of such first trade.

July 24, 2001.

"Paul M. Moore" "Stephen N. Adams"

2.3.5 1483057 Ontario Limited - ss. 59(1)

Headnote

Subsection 59(1) of Schedule 1 to the Regulation under the *Securities Act* - reduction in fee otherwise due as a result of a take-over bid in connection with an internal corporate reorganization involving no change in beneficial ownership.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., clause 93(1)(c).

Regulation Cited

Regulation made under the *Securities Act*, R.R.O. 1990, Reg. 1015, as am., Schedule 1, ss. 32(1) and 59(1).

IN THE MATTER OF
THE SECURITIES ACT, R.S.O. 1990,
CHAPTER S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
THE REGULATION UNDER THE SECURITIES ACT,
R.R.O. 1990, REGULATION 1015, AS AMENDED (the "Regulation")

AND

IN THE MATTER OF
1483057 ONTARIO LIMITED

RULING
(Subsection 59(1) of Schedule 1)

UPON the application (the "Application") of 1483057 Ontario Limited (the "Applicant") to the Ontario Securities Commission (the "Commission") for a ruling pursuant to subsection 59(1) of Schedule 1 (the "Schedule") to the Regulation exempting the Applicant from payment in part of the fee payable pursuant to section 32(1) of the Schedule;

AND UPON reading the Application and the recommendation of the staff of the Commission;

AND UPON the Applicant having represented to the Commission as follows:

1. The Applicant is a corporation incorporated under the laws of Ontario and is not a reporting issuer under the Act.

2. On June 28, 2001, the Applicant acquired 909,965 common shares of The Thomson Corporation ("TTC") (the "Shares") from TLT Issue Corp. ("TLT Issue") in exchange for common shares of the Applicant. On June 28, 2001 the Applicant was a wholly-owned subsidiary of TLT Issue.

3. The Applicant and TLT Issue are both controlled by Kenneth R. Thomson and, as a result, the Applicant

and TLT Issue are affiliated corporations. Because the Applicant is deemed under the Act to own beneficially all of the TTC shares beneficially owned by companies controlled by Kenneth R. Thomson, the Applicant's acquisition of the Shares resulted in the Applicant owning in excess of 20% of the outstanding common shares of TTC. Accordingly, the Applicant's acquisition of the Shares constituted a take-over bid under the Act.

4. The Shares were acquired pursuant to the take-over bid exemption in clause 93(1)(c) of the Act.

5. The transaction was an internal corporate reorganization within the same control group and did not result in a change in beneficial ownership of the Shares.

6. In the absence of the relief provided by this ruling and pursuant to the formula in clause 32(1)(b) of the Schedule, the Applicant would be required to pay a fee of $7,575.80 in respect of the transaction.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS RULED, pursuant to subsection 59(1) of the Schedule, that the Applicant be exempt from the requirement to pay the fee otherwise payable pursuant to clause 32(1)(b) of the Schedule, provided that the minimum fee of $800.00 is paid.

July 24, 2001.

"Paul M. Moore" "Stephen N. Adams"

2.3.6 1483826 Ontario Limited - ss. 59(1)

Headnote

Subsection 59(1) of Schedule 1 to the Regulation under the Securities Act - reduction in fee otherwise due as a result of a take-over bid in connection with an internal corporate reorganization involving no change in beneficial ownership.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., clause 93(1)(c).

Regulation Cited

Regulation made under the *Securities Act*, R.R.O. 1990, Reg. 1015, as am., Schedule 1, ss. 32(1) and 59(1).

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
THE REGULATION UNDER THE SECURITIES ACT,
R.R.O. 1990, REGULATION 1015, AS AMENDED (the "Regulation")

AND

IN THE MATTER OF
1483826 ONTARIO LIMITED

RULING
(Subsection 59(1) of Schedule 1)

UPON the application (the "Application") of 1483826 Ontario Limited (the "Applicant") to the Ontario Securities Commission (the "Commission") for a ruling pursuant to subsection 59(1) of Schedule 1 (the "Schedule") to the Regulation exempting the Applicant from payment in part of the fee payable pursuant to section 32(1) of the Schedule;

AND UPON reading the Application and the recommendation of the staff of the Commission;

AND UPON the Applicant having represented to the Commission as follows:

1. The Applicant is a corporation incorporated under the laws of Ontario and is not a reporting issuer under the Act.

2. On July 4, 2001, the Applicant acquired 1,215,560 common shares of The Thomson Corporation ("TTC") (the "Shares") from TLT Investments Corp. ("TLTIC") in exchange for common shares of the Applicant. On July 4, 2001 the Applicant was a wholly-owned subsidiary of TLTIC.

3. The Applicant and TLTIC are both controlled by Kenneth R. Thomson and, as a result, the Applicant

and TLTIC are affiliated corporations. Because the Applicant is deemed under the Act to own beneficially all of the TTC shares beneficially owned by companies controlled by Kenneth R. Thomson, the Applicant's acquisition of the Shares resulted in the Applicant owning in excess of 20% of the outstanding common shares of TTC. Accordingly, the Applicant's acquisition of the Shares constituted a take-over bid under the Act.

4. The Shares were acquired pursuant to the take-over bid exemption in clause 93(1)(c) of the Act.

5. The transaction was an internal corporate reorganization within the same control group and did not result in a change in beneficial ownership of the Shares.

6. In the absence of the relief provided by this ruling and pursuant to the formula in clause 32(1)(b) of the Schedule, the Applicant would be required to pay a fee of $10,037.35 in respect of the transaction.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS RULED, pursuant to subsection 59(1) of the Schedule, that the Applicant be exempt from the requirement to pay the fee otherwise payable pursuant to clause 32(1)(b) of the Schedule, provided that the minimum fee of $800.00 is paid.

July 24, 2001.

"Paul M. Moore" "Stephen N. Adams"

This Page Intentionally left blank

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Decisions

3.1.1 Derivative Services Inc. & Malcolm Robert Bruce Kyle

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, c.C. 20, AS AMENDED

AND

IN THE MATTER OF
A HEARING AND REVIEW OF RULINGS OF THE
ONTARIO DISTRICT COUNCIL FOR THE
INVESTMENT DEALERS ASSOCIATION OF CANADA
RE: DERIVATIVE SERVICES INC. AND MALCOLM ROBERT BRUCE KYLE

Hearing:	May 28, 2001		
Panel:	Paul M. Moore, Q.C.	-	Vice-Chair (Chair of the Panel)
	John A. Geller, Q.C.	-	Commissioner
	R. Stephen Paddon, Q.C.	-	Commissioner
Counsel:	Mary L. Biggar	-	For Derivative Services Inc. and Malcolm Robert Bruce Kyle
	Brian K. Awad	-	For the Investment Dealers Association of Canada
	Johanna Superina Sarah Oseni	-	For the Staff of the Ontario Securities Commission

DECISION AND REASONS

1. This was a hearing and review pursuant to section 21.1 of the *Commodity Futures Act*, R.S.O. 1990, c.C.20, as amended (the "CFA"), of five rulings of the Ontario District Council (the "Council") for the Investment Dealers Association of Canada (the "IDA") concerning Derivative Services Inc. ("DSI") and Malcolm Robert Bruce Kyle (collectively, the "Applicants").

Issues

2. The following issues emerged in this hearing:

   i) Does the Commission staff have standing at this hearing?
   ii) Is the 30-day time limit for making a request for a hearing and review substantive or only procedural?
   iii) When did the 30-day time limit commence?
   iv) Should the Commission confirm the fifth ruling or make such other decision as the Commission considers proper?

IDA

3. The IDA is a self-regulatory organization recognized by the Commission under section 21.1 of the Ontario *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Securities Act"), and a self-regulatory body recognized by the Commission under section 16 of the CFA. Subsection 16(3) of the CFA requires such a body to regulate the operations and the standards of practice and business conduct of its members.

Right to Hearing and Review

4. Under subsection 21.1(1) of the CFA a person or company directly affected by or by the administration of a direction, decision, order or ruling made under a by-law, rule, regulation, policy, procedure, interpretation, direction or practice of a recognized

self-regulatory organization may apply to the Commission for a hearing and review of the direction, decision, order or ruling. Subsection 21.1(2) of the CFA provides that section 4 of the CFA applies to the hearing and review in the same manner as it applies to a hearing and review of a decision of the director of the Commission.

5. Section 4 of the CFA reads as follows:

> 4(1) Within 30 days after a decision of the Director, the Commission may notify the Director and any person or company directly affected of its intention to convene a hearing to review the decision.
>
> (2) Any person or company directly affected by a decision of the Director may, by notice in writing sent by registered mail to the Commission within 30 days after the mailing of the notice of the decision, request and be entitled to a hearing and review thereof by the Commission.
>
> (3) Upon a hearing and review, the Commission may by order confirm the decision under review or make such other decision as the Commission considers proper.

Background

6. By Notices of Hearing dated December 1, 1998, notice was given to the Applicants of a hearing of disciplinary actions brought by the IDA against them, the hearing to be held before the Council. In the Notices, staff of the IDA alleged that on or about June 1998, the Applicants engaged in business conduct or practice that was unbecoming or detrimental to the public interest by failing to provide documents or other information requested by the staff in the course of an investigation pursuant to By-law 19 of the IDA, contrary to By-law 29 of the IDA.

7. The Applicants brought a preliminary motion before the Council requesting a number of declarations and orders, the net effect of the granting of which would have been to terminate the hearing on the merits (the "Hearing on the Merits"). After hearing arguments on the motion, the Council issued a ruling on June 28, 1999 (the "Preliminary Motion Ruling"; see *Re Derivative Services Inc. and Kyle* (1999), 22 OSCB 5544) against the Applicants on all grounds, giving extensive written reasons for its decision.

8. The Applicants then applied to the Commission under a predecessor of section 21.1 of the CFA for a hearing and review of the Preliminary Motion Ruling, asking that the decision be set aside and that various declarations and orders be made by the Commission in lieu thereof. On a preliminary review of that application, the Commission had some doubt that it had the power to make some of the declarations and orders requested; but in view of the decision which it arrived at, it became unnecessary for the Commission to decide this.

9. On October 5, 1999, the Commission issued its decision (the "Earlier Commission Decision"; see *Re Derivative Services Inc. and Kyle* (1999), 22 OSCB 6441) that it clearly had discretion to proceed with the Applicants' request for a hearing and review of the Council's Preliminary Motion Ruling. It decided that the proper course was for the Commission to permit the Council to proceed with the Hearing on the Merits and that, if after this had been completed, and the Council had made its determination, the Applicants wished to seek a hearing and review by the Commission of the Council's decision, then that would be the appropriate time to deal with the arguments raised by the Applicants in the preliminary motion, and any other matters they may then wish to raise.

10. On November 29, 1999 the Hearing on the Merits was reconvened before the Council.

11. Counsel for the Applicants requested the Council to adjourn the proceedings pending the hearing of applications brought by the Applicants in the Superior Court of Justice pursuant to Rule 14.05 of the Rules of Civil Procedure seeking declaratory relief of the nature sought in their preliminary motion before the Council and addressed by the Council in its Preliminary Motion Ruling, and an appeal to the Divisional Court from the Earlier Commission Decision pursuant to section 5 of the CFA. The Council was also informed that the IDA had brought a motion to dismiss the Applicants' application to the Divisional Court.

12. On December 13, 1999, the Council ruled (the "Scheduling Ruling"; see *Re Derivative Services Inc. and Kyle* (1999), 22 OSCB 8478) that the Hearing on the Merits should be scheduled for January 11 and 12, 2000, thus allowing the Applicants time to move for a stay of proceedings at the court hearing that had been scheduled for December 23, 1999.

13. On January 11 and 12, 2000, the Hearing on the Merits was held and on May 5, 2000, the Council issued its ruling on the merits ("Ruling on the Merits"; see *Re Derivative Services Inc. and Kyle* (2000), 23 OSCB 3492).

14. The Council's Ruling on the Merits concludes on page 3498 with the following:

> i) The District Council finds that the respondents committed the violations identified in the Notices.
>
> ii) The District Council rules that a penalty hearing be scheduled at the earliest convenient date.

15. On June 7, 2000, a penalty hearing of the Council was held to hear submissions on penalties.

16. The Council issued its ruling on penalties on June 29, 2000 ("Penalty Ruling"; see *Re Derivative Services Inc. and Kyle,* [2000] I.D.A.C.D. No. 26 (QL)).

17. The Penalty Ruling provided on page 14 as follows:

> Paragraph 20.12 of the Association's By-laws grants the District Council discretion to require a respondent to "pay the whole or part of the costs of the proceedings" and any related investigation. Mr. Awad requested costs in the amount of $5,000, based on time spent by the investigator and by him as counsel in connection with the preliminary motion and the hearing on the merits. He submitted that the amount of $5,000 is a conservative one and takes into account the fact that the respondents raised issues in this matter which were "interesting". Ms. Biggar made no submissions with respect to costs.
>
> The District Council has decided to award the Association costs of $5,000 against the respondents jointly and severally, so that each respondent is responsible for the full amount of the costs, although, of course, the total amount of the costs to be paid will not exceed $5,000.

18. The Penalty Ruling was sent to the Applicants on June 30, 2000. The other previous rulings of the Council had previously been sent to the Applicants.

19. On July 13, 2000, Ms. Biggar wrote to the IDA to advise that the Applicants wished to make submissions with respect to costs. In that letter she stated:

> I am aware that the Ontario District Council has rendered its decision with respect to the issue of costs and are, technically, "functus". However, the ususal practice is to request the submissions of counsel after a decision has been made with respect to costs. Therefore, on behalf of Derivative Services Inc. and Robert Kyle, I am requesting that the Ontario District Council consider re-opening their deliberations with respect to costs.

20. On July 18, 2000, the Council issued a ruling ("Refusal to Re-Open Ruling"; see *Re Derivative Services Inc. and Kyle* (2000), 23 OSCB 5244) determining not to grant the request to re-open the hearing to consider its costs order. The ruling stated at page 5245:

> In the District Council's view the Association's past practice is preferable where the facts are not contested or where, as here, the District Council issues its decision on the merits and then convenes a subsequent hearing to consider the appropriate penalty.

21. On July 24, 2000, Ms. Biggar wrote to Mr. Brian Awad of the IDA as follows:

> I confirm receipt of the ruling of the Ontario District Council dated July 18, 2000. Since the Council chose to rule on the issues raised in my letter dated July 13, 2000 rather than stating that it was functus, in my view, the time period for any appeal of the rulings (collectively) of the Ontario District Council runs thirty days following July 18, 2000.
>
> If you have a different view, I would appreciate it if you would advise me of your position at your very earliest convenience.

22. On August 2, 2000, counsel for Commission staff wrote to Ms. Biggar referring to the Ruling on the Merits, the Penalty Ruling and the Refusal to Re-Open Ruling. The letter went on to state:

> Staff of the Commission have not been provided with any material relating to any application for a request for review of a decision or decisions made by the IDA in respect of DSI and Kyle.
>
> If such material is filed in support of any such application, Commission Staff will consider our position as to whether the respondents have made an application within the time requirements prescribed by the CFA.

23. On August 8, 2000, the Applicants requested a hearing and review by the Commission of the following rulings of the Council:

> i) the Preliminary Motion Ruling (June 28, 1999);
> ii) the Scheduling Ruling (December 13, 1999);
> iii) the Ruling on the Merits (May 5, 2000);
> iv) the Penalty Ruling (June 29, 2000); and
> v) the Refusal to Re-Open Ruling (July 18, 2000).

24. Shortly before this hearing, an amendment to the request for hearing and review was received. This amendment is also dated August 8, 2000.

25. On May 18, 2001, Commission staff filed a notice of motion returnable May 28, 2001 to dismiss the request for a hearing and review as it related to the first four rulings.

Standing of Commission Staff

26. At the commencement of this hearing, counsel for the Applicants raised the question of whether Commission staff should be allowed standing at the hearing.

27. Counsel for Commission staff pointed out that this should not be an issue since Commission staff had been involved without challenge by counsel for the Applicants in the hearing resulting in the Earlier Commission Decision and in all preliminary matters leading up to this hearing, and that if there was an issue on standing, it was waived long ago. In addition, counsel for Commission staff observed that staff had been served with all the materials in this hearing.

28. Counsel for Commission Staff referred to *Re Reuters Information Services (Canada) Ltd.* (1997), 20 OSCB 1584. *Reuters* was a hearing and review by the

Commission of a decision of the IDA with respect to an application by Reuters for recognition as a market transparency organization. The Commission, at page 1584, determined that:

> The hearing and review will be on the record that was before the IDA Board, supplemented by such evidence, written and oral, as IDA, Reuters or Commission staff may wish to present, and the panel of the Commission admit, with respect to the question that was before the IDA Board on the application...
>
> At least 10 days before the commencement of the hearing and review, each of IDA, Reuters and staff shall advise the others, and the entities given "Torstar-type" standing below, as to the substance of the evidence it proposes to adduce, and shall deliver to the others and those entities copies of all new documents to be relied on by it at the hearing and review

It is clear in *Reuters* that Commission staff had full standing before the Commission.

29. Commission staff, observing that it was not suggesting it should be given only intervenor status, also referred to the Commission's decision in *Re George Albino* (1991), 14 OSCB 365, for a guiding principle in determining standing for third party intervenors. *Albino* concerned a proceeding under a predecessor to section 127 of the Securities Act and considered, among other issues, whether or not a certain incentive plan constituted a security. A lawyer from the firm of Blake Cassels & Graydon wanted to appear and be given standing to deal with the importance of the issue for his clients, unrelated to the specific facts before the Commission. The Commission stated at page 425:

> In conclusion, it seems to us that on requests for standing the Commission must first and foremost consider the nature of the issue and the likelihood that intervenors will be able to make a useful contribution without injustice to the immediate parties (the MacMillan Bloedel test, adopted in Torstar).

30. In its written submission in the matter before us in this hearing Commission staff stated:

> With respect to the various factual and legal issues raised by the Applicants, Staff will address some but not all of the issues outlined in the Applicants' Factum. Staff's submissions are intended to be supplementary to the submissions of the Counsel for the IDA. In particular, Staff will address the submissions that follow as they relate to the decision of the District Council, dated June 28, 1999, [*Applicant's Book of Documents at Tab 27*];
>
> i) whether there has been a sub-delegation of authority of Commission to the IDA under subsection 15(2) [now 16(3)] of the CFA;
>
> ii) whether By-law 19 is invalid;
>
> iii) whether the District Council has jurisdiction to determine the constitutionality of By-law 19;
>
> iv) whether the *Charter* applies to By-law 19;
>
> v) whether IDA By-law 19.5 violates section 8 of the *Charter*;
>
> vi) whether the *Statutory Powers Procedures Act* ("SPPA") and the *Evidence Act* apply to the IDA; and
>
> vii) whether the doctrine of duress applies to the contract between the IDA and DSI.

31. In summary, Commission staff submitted that it would be able to make a useful contribution to the hearing without injustice to either party and that staff participation in hearings of this nature is well established as a practice of the Commission. In the event that it should be found to be necessary for a motion for standing to be made by Commission staff, Commission staff so moved.

32. Counsel for the Applicants argued that the question of standing of Commission staff was not something that had been waived by the Applicants.

33. The principal issue, in the words of Applicants' counsel, "was whether or not OSC Staff had full, automatic standing as a party or whether they needed to apply to this panel for intervenor status. I do acknowledge that it might well be appropriate that the OSC Staff have intervenor status, which is what I understand the Torstar-type standing to be. The point was just that the OSC Staff had to take some steps."

34. The Commission ruled, for the reasons submitted by Commission staff, that Commission staff had standing to participate in this hearing and that no separate motion for standing was necessary.

Procedural or Substantive?

35. Canadian courts have frequently recognized that administrative bodies must strictly adhere to the limitation periods provided in their empowering legislation where there is no express power provided to extend the same. (See *Leclair* v. *Manitoba (Residential Care, Director)*, [1999] M.J. No. 38(QL) (Man.C.A.); *Parker* v. *British Columbia (Police Commission)*, [1999] B.C.J. No. 1532 (QL) (B.C.C.A.); *Simpson* v. *Blacks Harbour*, [1995] N.B.J. No. 56 (QL) (N.B.C.A.); *Perrott* v. *Storm*, [1985] 18 D.L.R. (4th) 473 (N.S.S.C.); *Cessland Corporation Ltd.* v. *Fort Norman Explorations Inc.* (1979), 25 O.R. (2D) 69 (Ont. H.C.J.); *Vialoux* v. *Registered*

Psychiatric Nurse Association of Manitoba (1983), 23 Man.R. (2d) 310 (Man. C.A.).

36. Counsel for Commission Staff referred us to subsection 4(1) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c.S.22 ("SPPA"), which provides:

> 4(1) Any procedural requirement of the Act, or of another Act or a regulation that applies to a proceeding, may be waived with the consent of the parties and the tribunal.

37. Counsel for Commission staff, counsel for the IDA, and counsel for the Applicants all indicated that they would give any necessary consents to extend the 30-day limit if the time limit in subsection 4(2) of the CFA was procedural.

38. Counsel for Commission Staff referred us to the Commission's recent decision in *Re Hamilton Airlines (2000) Inc.* (2001), 24 OSCB 3295. In that case the Commission dealt with the issue of its jurisdiction to proceed with the hearing and review of a decision of the director in circumstances in which the applicant failed to request his application for a hearing within the requisite 30 days. In that case, Commission staff indicated it would not consent to waive the time limit for the sending of the notice requesting the hearing and review; therefore, the Commission did not need to decide whether the time limit requirement was procedural or substantive.

39. Subsection 4(2) of the CFA (set out in paragraph 5 of these reasons) provides that a person will "be entitled to a hearing and review" where "by notice in writing sent by registered mail to the Commission within 30 days after the mailing of the notice of the decision" the person requests the hearing and review.

40. The CFA, like subsection 8(2) of the Securities Act does not provide for an extension of time in which to request the hearing and review, and does not authorize the Commission to exercise its discretion to extend the time requirement.

41. By comparison, subsections 25(1) and (2) of the *Securities Act* (Alberta) S.A. 1981, c. S-6.1, as amended, expressly provide the Alberta Securities Commission with the power to extend the 30-day limitation period in certain circumstances, but only if the extension is made within the 30-day limitation period. Subsections 25(1) and (2) state:

> 25(1) To commence an appeal to the Commission, the applicant shall, within 30 days from the day on which the written notice of the decision is served on the appellant, serve a written notice of appeal on the Secretary either personally or by registered mail.
>
> (2) Notwithstanding subsection (1), the Commission may, on application by the appellant during the appeal period prescribed in subsection (1) extend the appeal period if the Commission considers that it would not be prejudicial to the public interest to do so.

42. Counsel for Commission staff, in oral argument and in its written submission referred to several cases.

43. In *Pagee* v. *Manitoba (Director, Winnipeg Central)*, [2000] M.J. No. 180 (QL) (Man.C.A.), the Director ordered the continuance of income assistance to the applicant under *The Employment and Income Assistance Act of Manitoba*, C.C.S.M., c. E98. The applicant appealed the Director's order to the Social Services Advisory Committee which dismissed the appeal. She then sought leave to appeal against the order of the Committee dismissing her appeal from the Director's order. The applicant's appeal to the Committee of the Director's order was filed at least 57 days after the applicant received notice of the Director's order. Philip J.A. (in Chambers) refers to subsection 9(4) of *The Employment and Income Assistance Act* which states that:

> 9(4) A person who receives a notice under subsection (2) and who desires to appeal a decision or order for any of the reasons set out in subsection (1), may within 15 days after receiving the notice, file a written notice of appeal with the appeal board setting out the grounds of the appeal.

44. Philip J.A. observed that there was no power under the act to extend the time limit period. He adopted the reasoning of Millett L.J. in *Petch* v. *Gurney (Inspector of Taxes)*, [1994] 3 All E.R. 731 (C.A.), stating as follows (page 2):

> A review of those authorities is not necessary in order to conclude that the time requirement in s.9(4) of the Act is absolute. I reach that conclusion by a liberal and purposive interpretation of the scheme of the Act, the interpretive tool endorsed by the Supreme Court of Canada. (See, by way of example, the Court's recent decision in R. v Gladue, [1999] 1 S.C.R. 688, and Nanaimo (City) v. Rascal Trucking Ltd., 2000 S.C.C. 13, [2000] S.C.J. No. 14). That is the kind of approach Millett L.J. applied and explained in Petch v. Gurney (Inspector of Taxes), [1994] 3 All E.R. 731 at 738 (C.A.), leave to appeal refused [1994] 4 All E.R. xix. He wrote:
>
> > Where statute requires an act to be done in a particular manner, it may be possible to regard the requirement that the act be done as mandatory but the requirement that it be done in a particular manner as merely directory. In such a case the statutory requirement can be treated as substantially complied with if the act is done in a manner which is not less satisfactory having regard to the purpose of the legislature in imposing the requirement. But that is not the case with a stipulation as to time. If the only time limit which is prescribed is not obligatory, there is no time limit at all. Doing an act

late is not the equivalent of doing it in time. That is why Grove J. said in Barker v. Palmer (1881) 8 Q.B.D. 9 at 10 - "provisions with respect to time are always obligatory, unless a power of extending the time is given to the court". This probably cannot be laid down as a universal rule, but in my judgement it must be the normal one. Unless the court is given a power to extend the time, or some other and final mandatory time limit can be spelled out of the statute, a time limit cannot be relaxed without being dispensed with altogether; and it cannot be dispensed with altogether unless the substantive requirement itself can be dispensed with.

I adopt that reasoning. The Act sets out a scheme whereby the recipient of income or other assistance can challenge in a timely and structured way the Director's decision or order discontinuing, reducing, or suspending his/her assistance. To conclude that the time requirement of s. 9(4) of the Act is not obligatory would, in effect, ignore the ordinary and grammatical sense of the words and leave the statutory scheme in disarray.

45. He continued on page 3:

> It is trite law that waiver or consent will not bestow jurisdiction upon a tribunal where none exists. That principle, more recently explained and applied in the leading case of Essex Incorporated Congregational Church Union v. Essex County Council, [1963] A.C. 808(H.L.(E.)), has been affirmed in Canada by courts and legal commentators. See, for example, Jacmain v. Attorney General (Can.) et al., [1978] 2 S.C.R. 15 at 38, and R. Dussault & L.Borgeat, Administrative Law: A Treatise, 2ed., vol. 4 (Toronto: Carswels, 1990) at 212.

46. Counsel for Commission staff referred to *K.C. v. College of Physician Therapists of Alberta*, [1998] A.J. No. 99; 1998 A.B.C.A. 213 (QL) (Alta. C.A.). The case concerned a physical therapist who had disciplinary proceedings brought against him for a variety of matters on which he was found guilty of professional misconduct. He appealed and filed his notice of appeal within the prescribed 30 days but, through a mistake of his lawyer, failed to serve it on time. He sought leave to extend the period of time set out in the statute and that leave was denied. He appealed that decision. The respondent argued that the right to appeal was conditional on the time limits being met. The issue in the case was whether the provision of subsection 64(2) of the applicable statute set out requirements that are better characterised as substantive or as procedural. Conrad J.A. quoted section 64 of the *Physical Therapy Profession Act*, S.A.1984 c. P-7.5, which provided, in part, as follows:

> 64(1) An investigative person or the College may appeal to the Court of Appeal any finding or order made by the Council under section 63.
>
> (2) An appeal under this section shall be commenced
>
> a) by filing a notice of appeal with the Registrar of the Court at Edmonton or Calgary, and
>
> b) by serving a copy of the notice of appeal
>
> i) on the Council when the investigative person is the appellant, or
>
> ii) on the investigated person when the College is the appellant.
>
> both within thirty days from the date on which the decision of the Council is served on the appellant.

47. He also quoted subsection 65(2) of the same act:

> 65(2) The procedure in an appeal shall be the same, with the necessary changes, as that provided in the Rules of Court for appeals from a judgement of a judge of the Court of Queen's Bench to the Court of Appeal.

48. Conrad J.A. determined that although ambiguous, the wording of the statute suggested that the time limits in subsection 64(2) were procedural. He reasoned at page 3:

> Section 64(1) provides that there is a right of appeal. It does not make that right conditional on the happening of any other event. The statute then provides for the commencement of an appeal and contains, within that provision, the time limit for filing and service....
>
> The question is whether the statute intends the time limits in s.64(2) to be a condition of the right of appeal in s.64(1), or whether the time limits are intended to be directive only, and thereby subject to the extension rights under the Rules of Court.
>
> Like Kierans J.A. in Re Wolski, I accept that, at best, the meaning is ambiguous. The right to appeal is not clearly conditional as it was in Yorkshire Trust....

49. Conrad J.A. distinguished *Yorkshire Trust Co. v. Mallett* (1986), 71 A.R. 23 (Alberta C.A.) as follows at page 2:

> The Respondent relies on the reasoning of this Court in Yorkshire Trust, supra. That case referred to the Reciprocal Enforcement of Judgements of Act, R.S.A. 1980, c.R - 6, 6(1)(b) which provided that:

> "When a judgement is rendered pursuant to an ex-parte order, ...the judgement debtor, within one month after he has had notice of the registration, may apply to the court to have the registration set aside."

The Application was not made within the prescribed limit and the Court held at p. 24, that:

> [C]onditions set for the exercise of an enabling provision constitute a statutory prescription on the right...

It held further that, absent any explicit statutory authority, this Court has no power to relieve against a statutory prescription....

50. The right to appeal in *College of Physical Therapists of Alberta* was not clearly conditional as it was in *Yorkshire Trust.*

51. There is a similarity in structure and wording between subsection 4(2) of the CFA and the applicable statutory provision in *Yorkshire Trust.* Subsection 4(2) of the CFA makes it clear that the entitlement to a hearing and review is conditional upon a request by notice in writing being sent by registered mail to the Commission within 30 days after the mailing of the notice of the decision. There is no unconditional entitlement to a hearing and review.

52. Because performance of the requirement to make a request for a hearing and review by sending notice within 30 days after the mailing of the decision creates the entitlement to the hearing and review, it is a substantive and conditional aspect of the hearing. It is not procedural and cannot be waived pursuant to subsection 4(1) of the SPPA.

Commencement of the 30-Day Time Limit

53. Counsel for Commission staff argued that the computation of time for making a request for a hearing and review of the first four rulings started from June 30, 2000, being the day the Penalty Ruling was mailed to the Applicants, and that, since the application for a hearing and review was in fact filed on August 8, 2000, it was too late for a hearing and review of any ruling other than the Refusal to Re-Open Ruling.

54. Applicants' counsel argued that the Refusal to Re-Open Ruling somehow kept the other rulings alive for the purposes of a hearing and review because, in her words, until July 18 the Council was not *functus officio.*

55. Counsel for the Applicants referred to *Chandler* v. *Association of Architects Alberta,* [1989] 2 S.C.R. 848. That case dealt with the extent to which the principle of *functus officio* applies to an administrative tribunal. It is relevant, however, to whether a tribunal itself may continue or revisit proceedings on which the tribunal has ruled. It does not deal with the question of a hearing and review by or an appeal to another tribunal of the lower tribunal's ruling.

56. We do not find the principle of *functus officio* helpful in determining the issues before this hearing.

57. What we are required to determine is whether the Commission has jurisdiction under the CFA to hold a hearing and review of the *rulings* of the Council, not of the *arguments* that were before the Council.

58. The Commission has already held a hearing and review of the Preliminary Motion Ruling and determined to let that ruling stand. The reason the Commission decided to let the ruling stand was that it would be premature at that time to decide on the issues raised by the Applicants' preliminary motion before the Council for the reasons the Commission gave in its decision. In its Earlier Commission Decision, the Commission stated at page 6445:

> We clearly had the discretion to proceed with the Applicants' motion....We are satisfied that the proper course is for us to dismiss the Applicants' motion and permit the Council to proceed with the hearing on the merits. If, after this has been completed, and the Council has made its determination, the Applicants wish to seek a hearing and review by the Commission of the Council's decision, then that will be the appropriate time for the Commission to deal with the arguments raised in the Applicants' motion, and any other matters they may then wish to raise.

59. In other words, the arguments raised in the preliminary motion of the Applicants before the Council could be made on a hearing and review of any decision by the Council flowing from the Hearing on the Merits. Indeed, we have considered those arguments to the extent they may be relevant to our review of the Refusal to Re-Open Ruling.

60. In conclusion, the 30-day time limit referred to in subsection 4(2) of the CFA commenced with respect to each of the five rulings of the Council with the first of the days referred to in the subsection, namely the day after "the mailing of the notice of the decision".

Decision on Jurisdiction

61. Since the request for this hearing and review so far as it applies to the first four rulings was not made within the applicable time period for any of the Preliminary Motion Ruling, the Scheduling Ruling, the Ruling on the Merits, or the Penalty Ruling, and since the time limit requirement is not procedural and capable of being waived under the SPPA, the Commission does not have jurisdiction to review any of those rulings.

Refusal to Re-Open Ruling

62. On July 18, 2000, Council issued the Refusal to Re-Open Ruling, stating at page 5244:

The District Council has determined not to grant the request to re-open the hearing to re-consider its costs order. The practice in Association disciplinary proceedings has been to address costs at the same time as the penalty; see, e.g., *In the Matter of James Hill* (2000), 23 O.S.C.B. 3348 (May 5); *In the Matter of Edward Richard Milewski* (1999), 20 O.S.C.B. 5404 (August 27).

63. The Council then reviewed practice before securities commissions in Canada and noted that practice varies. The ruling went on to state at page 5245:

In the District Council's view the Association's past practice is preferable where the facts are not contested or where, as here, the District Council issues its decision on the merits and then convenes a subsequent hearing to consider the appropriate penalty.

64. The ruling concludes by stating that the Council could see no reason to exercise a discretion to re-open the hearing with respect to costs (p. 5245):

The Respondents had notice that costs would be addressed in the penalty hearing; counsel for the Association provided a written submission containing a request for costs, a draft of which was sent to counsel for the respondents prior to the penalty hearing, as both counsel acknowledged at that hearing. The respondents thus were aware that costs would be addressed at the penalty hearing and had an opportunity to make submissions on them. That they did not do so does not provide a reason to re-open, especially in view of the relatively nominal award of costs for proceedings of the length and complexity of this one. Indeed, had the Association requested a greater amount of costs, the District Council would have seriously considered a larger award.

65. In *Wilkinson v. Toronto Stock Exchange* (1993), 16 OSCB 3545, the Commission reviewed and set out the principles it considered applicable on a hearing and review of a decision of a self-regulatory organization. The five possible grounds on which the Commission might interfere with a decision of a self-regulatory organization were said to be:

i) the self-regulatory organization proceeded on some incorrect principle;
ii) the self-regulatory organization erred in law;
iii) the self-regulatory organization overlooked material evidence;
iv) new and compelling evidence was presented to the Commission that was not presented to the self-regulatory organization; and
v) the self-regulatory organization's perception of the public interest conflicts with that of the Commission's.

66. Counsel for each party advised the Commission that they had no oral arguments to make on the Refusal to Re-Open Ruling and that they were each relying on the arguments put forth in their respective written submissions.

67. In her factum, Applicants' counsel argued that the IDA did not have jurisdiction over DSI. The arguments of Applicants' counsel, in her factum and made orally at the Hearing on the Merits, were fully addressed by the Council in the Preliminary Motion Ruling and the Ruling on the Merits considered together. We found no errors in law by the Council that would cause us to come to a conclusion that the Council did not have jurisdiction over the Applicants to issue the Refusal to Re-Open Ruling.

68. We find that in deciding to issue its Refusal to Re-Open Ruling, the Council did not proceed on some incorrect principle, err in law, or overlook material evidence. Furthermore, no new and compelling evidence was presented to the Commission that was not presented to the Council. We find nothing that suggests the Council did not act fairly or in the public interest in making its Refusal to Re-Open Ruling.

69. For the above reasons, the Commission confirms the Refusal to Re-Open Ruling.

July 17, 2001.

"Paul Moore" "John Geller"

"Stephen Paddon"

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Rescinding Order
Redekop Properties Inc.	06 Jul 01	18 Jul 01	19 Jul 01	-
Pan Ocean Explorations Inc. Rift Resources Ltd.	09 Jul 01	20 Jul 01	23 Jul 01	-
Canadian Airlines Corporation Coastal Plain Resources Ltd.	10 Jul 01	23 Jul 01	20 Jul 01	-
Peragis Inc. (formerly, Points North Digital Technologies, Inc.) Parkway Property Investments	10 Jul 01	23 Jul 01	24 Jul 01	-
Bro-X Minerals Ltd.	19 Jul 01	30 Jul 01	-	-
Brazilian Resources, Inc. Dominion International Investments Inc. Dotcom 2000 Inc. Link Mineral Ventures Ltd. Nord Pacific Limited United Trans-Western, Inc.	23 Jul 01	03 Aug 01	-	-

4.2.1 Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/Expire
Dotcom 2000 Inc.	29 May 01	11 Jun 01	11 Jun 01	-
St. Anthony Resources Inc.	29 May 01	11 Jun 01	11 Jun 01	23 Jun 01
Galaxy OnLine Inc. Melanesian Minerals Corporation	29 May 01	11 Jun 01	11 Jun 01	24 Jul 01
Brazilian Resources, Inc. Landmark Global Financial Corp. Link Mineral Ventures Ltd. Nord Pacific Limited	30 May 01	12 Jun 01	12 Jun 01	28 Jun 01
Dominion International Investments Inc.	12 Jun 01	25 Jun 01	25 Jun 01	-
Zamora Gold Corp.	13 Jun 01	26 Jun 01	26 Jun 01	18 Jul 01
Consumers Packaging Inc.	20 Jun 01	03 Jul 01	-	05 Jul 01
Systech Retail Systems Inc.	27 Jun 01	10 Jul 01	10 Jul 01	-
United Trans-Western, Inc.	05 Jul 01	18 Jul 01	19 Jul 01	-
Digital Duplication Inc.	10 Jul 01	23 Jul 01	23 Jul 01	-

4.3.1 Lapsed Cease Trading Orders

Company Name	Date of Lapse/Expire
Telepanel Systems Inc.	24 Jul 01

Chapter 5

Rules and Policies

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

This Page Intentionally left blank

Chapter 6

Request for Comments

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

This Page Intentionally left blank

Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

Exempt Financings

The Ontario Securities Commission reminds Issuers of exempt financings that they are responsible for the completeness, accuracy and timely filing of Forms 20 and 21 pursuant to section 72 of the Securities Act and section 14 of the Regulation to the Act. The information provided is not verified by staff of the Commission and is published as received except for confidential reports filed under paragraph E of the Ontario Securities Commission Policy Statement No. 6.1.

Reports of Trades Submitted on Form 45-501f1

Trans. Date	Security	Price ($)	Amount
10Jul01	AADCO industries.com inc. - Units	500,000	500,000
03Jul01	Abria Diversified Arbitrage Trust - Class B Units	1,532,200	101
29Jun01	AIG Global Investment Corp. (Canada) - Units	1,735,068	134,219
25Jun01	Aligo, Inc. - Shares of Series B Preferred Stock	4,712,000	4,558,824
29Jun01	Arrow Global MultiManager Fund - Trust Units	150,000	15,000
29Jun01	Arrow Goodwood Fund - Class "I" Trust Units	1,500,000	15,000
13Jul01	Arrow Goodwood Fund - Class I Trust Units	150,000	1,507
29Jun01	Arrow North American MultiManager II Fund - Trust Units	15,000	1,500
29Jun01	Arrow North American MultiManager Fund - Trust Units	150,000	15,000
29Jun01	Arrow North American MultiManager II Fund - Trust Units	150,000	1,500
06Jul01	Arrow White Mountain Fund - Class I Trust Units	200,000	2,962
29Jun01	Augen Limited partnership VI - Limited Partnership Units	440,000	4,440
13Jul01	BarCode Holdings Limited - Common Shares	165,000	500,000
29Jun01	CGO&V Balanced Fund - Units of Trust Pooled Funds	614,422	45,865
29Jun01	CGO&V Cumberland Fund - Units of Trust Pooled Funds	253,886	16,806
29Jun01	CGO&V Hazelton Fund - Units of Trust Pooled Funds	614,422	45,865
29Jun01	CGO&V International Fund - Units of Trust Pooled Funds	52,360	3,918
05Jul01	Citadel Value Fund - Trust Units	2,202,000	4,404
28Jun01	CMS Entrepreneurial Real Estate Fund 111-Q, L.P. - Limited Partnership Unit	5,814,000	1
11Jul01	East West Resource Corporation - Common Shares	2,900	10,000
13Jul01	Excel-Tech Ltd. - Series A Preferred Shares	3,750,003	728,156
14Jun01	First Horizon Holdings Ltd. - Class "I" Redeemable Convertible Non-Voting Shares and Class "I" Shares	421,554, 400,519	40,707, 37,843 Resp.
14Jun01	First Horizon Holdings Ltd. - Class "I" Redeemable Convertible Non-Voting Shares and Class "I" Shares	155,999, 967,361	15,416, 92,285 Resp.
06Jul01	Friends Provident plc - Ordinary Shares	17,976,341	3,710,000
03Jul01	Galileo Balanced Index Fund - Units	1,000,000	100,290
05Jul01	Greentree Gas & Oil Ltd. - Common Shares	872,362	471,548
09Jul01	Hyal Pharmaceutical Corporation - Common Shares	500,000	10,000,000
09Jul01	Hyal Pharmaceutical Corporation - Common Shares	49,000,000	49,000

Trans. Date	Security	Price ($)	Amount
06Jul01	IBM Canada Credit Services Company - 5.74% Guaranteed Notes due July 6, 2004	117,500,000	117,500,000
18Jun01	Internet Broadcasting Systems, Inc. - Convertible Bridge Note	$2,638,011	$2,638,011
28Jun01	INVESCO International Equity Fund - Units	8,400,000	840,000
28Jun01	INVESCO Structured Core U.S. Equity Fund - Units	3,400,000	340,000
14Jun01	Majesor Resources Inc. - Units	20,000	20
29Jun01	MAPLE KEY Market Neutral LP - Limited Partnership Units	17,632,480	17,632,480
27Jun01	Master Credit Card Trust - 6.15% Credit Card Receivables-Backed Notes	$15,168,200	$149,000
11Jul01	Maxxcom Inc. - Subordinated Debentures	40,000,000	40,000,000
28Jun01	Maxxum Financial Services - Class A Units	150,000	1,516
11Jul01	Pacific North West Capital Corp. - Property Acquisition	91,500	150,000
30Jun00	Performance Group #1 Limited Partnership - Limited Partnership Units	138,225	120
31Jul00	Performance Group #1 Limited Partnership - Limited Partnership Units	4,190,000	4,190
31Aug00	Performance Group #1 Limited Partnership - Limited Partnership Units	50,000	48
31Oct00	Performance Group #1 Limited Partnership - Limited Partnership Units	650,000	603
30Nov00	Performance Group #1 Limited Partnership - Limited Partnership Units	625,000	597
30Sep00	Performance Group #1 Limited Partnership - Limited Partnership Units	1,200,000	1,127
13Jul01	PGM Ventures Corporation - Convertible Debenture	325,000	325,000
26Jun01	Potlatch Corporation - 10% Senior Subordinated Notes due 2011	1,530,400	1,000,000
25Jun01	Quebecor Inc. - Floating Rate Exchangeable Debentures, Series 2001 due June 19th, 2026	554,884	554,884
03Jul01	Silvercreek Limited Partnership - Limited Partnership Units	200,000	3
22Jun01	Tsunami Petroleum Corp. - Units	1,040,000	103
28Jun01	Xantrex Technology Inc. - Common Shares	15,644,462	3,735,545
11Jul01	Yorkton Partners 2001 Fund, LP - Limited Partnership Units	500,000	5,000

Resale of Securities - (Form 45-501f2)

Date of Resale	Date of Orig. Purchase	Seller	Security	Price ($)	Amount
26Feb01	29Jun01	Burgeonvest Securities Limited	e-Manufacturing Networks Inc. - Special Warrants	199,999	153,846
04May94	10Jul01	Sun Life Assurance Company of Canada	TransCanada PipeLines Limited -	5,805,137	59,250

Reports Made under Subsection 5 of Subsection 72 of the Act with Respect to Outstanding Securities of a Private Company That Has Ceased to Be a Private Company -- (Form 22)

Name of Company	Date the Company Ceased to be a Private Company
SEAMARK Asset Management Ltd.	28Jun01

Notice of Intention to Distribute Securities Pursuant to Subsection 7 of Section 72 - (Form 23)

Seller	Security	Amount
Paros Enterprises Limited	Acktion Corporation - Common Shares	2,000,000
Melnick, Larry	Champioin Natural Health.com Inc. - Subordinate Voting Shares	29,900
Cohen, Daniel F.	Gendis Inc. - Common Shares	300,000
Black, Conrad M.	Hollinger Inc. - Series II Preference Shares	1,611,039
SLMsoft.com Inc.	Infocorp Computer Solutions Ltd. - Common Shares	6,813,052
Capital Rolco Inc.	Nexxlink Technologies Inc. -	100,000
Faye, Michael R.	Spectra Inc. - Common Shares	124,000
Malion, J. Andrew	Spectra Inc. - Common Shares	122,000

This Page Intentionally left blank

Chapter 9

Legislation

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

This Page Intentionally left blank

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Alliance Atlantis Communications Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form PREP Prospectus dated July 19th, 2001
Mutual Reliance Review System Receipt dated July 19th, 2001
Offering Price and Description:
$ * - 8,000,000 Class B Non-Voting Shares
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
Goldman Sachs Canada
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
-
Project #374917

Issuer Name:
BMO Capital Trust
Bank of Montreal
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated July 24th, 2001
Mutual Reliance Review System Receipt dated July 25th, 2001
Offering Price and Description:
$400,000,000 Trust Capital Securities - Series C (BMO BOaTS - Series C)
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Promoter(s):
-
Project #375987 & 375989

Issuer Name:
Barker Minerals Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated July 17th, 2001
Mutual Reliance Review System Receipt dated July 19th, 2001
Offering Price and Description:
Offering of * Flow-Through Common Shares and * Units, each Unit consisting of one Common Shares
and one-half of a Common Shares Purchase Warrant
Distribution of 2,191,617 Common Shares and 489,720 Flow-Through Common Shares on exercise of
2,191,617 Special Warrants and 489,720 Special Flow-Through Warrants respectively
Underwriter(s) or Distributor(s):
Bolder Investment Partners, Ltd.
Promoter(s):
Louis E. Doyle
Project #374906

Issuer Name:
CI US Equity Sector Fund
CI US Equity RSP Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated July 19th, 2001
Mutual Reliance Review System Receipt dated July 20th, 2001
Offering Price and Description:
Sector A, F and I Shares and Class A, F and I Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #375136

Issuer Name:
Citadel SMaRT Fund
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated July 19th, 2001
Mutual Reliance Review System Receipt dated July 19th, 2001
Offering Price and Description:
Maximum $ * - * Trust Units
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Canaccord Capital Corporation
HSBC Securities (Canada) Inc.
National Bank Financial Inc.
Desjardins Securities Inc.
Raymond James Ltd.
Bieber Securities Inc.

BMO Nesbitt Burns Inc.
TD Securities Inc.
Scotia Capital Inc.
Dundee Securities Corporation
Yorkton Securities Inc.
Promoter(s):
Citadel CPRT Management Ltd.
Canadian Income Fund Group Inc.
Project #375041

Issuer Name:
John Deere Credit Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated July 20th, 2001
Mutual Reliance Review System Receipt dated July 20th, 2001
Offering Price and Description:
$1,000,000,000 Medium Term Notes (Unsecured) Unconditionally guaranteed as to payment of principal, premium (if any), interest and certain other amount
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
Merrill Lynch Canada Inc.
Promoter(s):
Deere & Company
Project #375158

Issuer Name:
Premdor Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 23rd, 2001
Mutual Reliance Review System Receipt dated July 23rd, 2001
Offering Price and Description:
$100,100,000 - 7,150,000 Common Shares @ $14.00 per Common Shares
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
CIBC World Markets Inc.
Merrill Lynch Canada Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
Paradigm Capital Inc.

Promoter(s):
-
Project #375437

Issuer Name:
SouthernEra Resources Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 25th, 2001
Mutual Reliance Review System Receipt dated July 25th, 2001
Offering Price and Description:
$9,625,000 - 3,500,000 Common Shares and 3,500,000 Warrants issuable upon the Exercise of 3,500,000 previously issued Special Warrants
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
First Associates Investments Inc.
Promoter(s):
-
Project #376029

Issuer Name:
True Energy Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated July 20th, 2001
Mutual Reliance Review System Receipt dated July 23rd, 2001
Offering Price and Description:
7,200,000 Common Shares issuable upon the exercise of Special Warrants
Underwriter(s) or Distributor(s):
FirstEnergy Capital Corp.
Griffiths McBurney & Partners
Peters & Co. Limited
Canaccord Capital Corporation
Promoter(s):
Paul R. Baay
W.C. Mickey Dunn
Project #375407

Issuer Name:
SynX Pharma Inc.
Type and Date:
Final Prospectus dated July 18th, 2001
Receipt dated 19th day of July, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Sprott Securities Inc.
Octagon Capital Corporation
Paradigm Capital Inc.
Promoter(s):
-
Project #366662

Issuer Name:

StrategicNova Managed Futures Hedge Fund (Formerly Navigator Managed Futures Fund)
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated July 18th, 2001
Mutual Reliance Review System Receipt dated 20th day of July, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #364961

Issuer Name:
Atlas Cold Storage Income Trust (formerly ACS Freezers Income Trust)
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 20th, 2001
Mutual Reliance Review System Receipt dated 20th day of July, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
-
Project #373906

Issuer Name:
Cable Satisfaction International Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated July 24th, 2001
Mutual Reliance Review System Receipt dated 25th day of July, 2001
Offering Price and Description:

Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #367895

Issuer Name:
Canadian Natural Resources Limited
Principal Regulator - Alberta
Type and Date:
Final Short Form Shelf Prospectus dated July 24th, 2001
Mutual Reliance Review System Receipt dated 25th day of July, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.

Promoter(s):
-
Project #372292

Issuer Name:
Geac Computer Corporation Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 23rd, 2001
Mutual Reliance Review System Receipt dated 24th day of July, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Yorkton Securities Inc.
Promoter(s):
-
Project #373759

Issuer Name:
Clarington Canadian Balanced Fund
Clarington Canadian Bond Fund
Clarington Canadian Dividend Fund
Clarington Canadian Equity Fund
Clarington Canadian Income Fund
Clarington Canadian Micro-Cap Fund
Clarington Canadian Small Cap Fund
Clarington Money Market Fund
Clarington Asia Pacific Fund
Clarington Global Communications Fund
Clarington RSP Global Communications Fund
Clarington Global Equity Fund
Clarington RSP Global Equity Fund
Clarington Global Income Fund
Clarington RSP Global Income Fund
Clarington Global Small Cap Fund
Clarington International Equity Fund
Clarington RSP International Equity Fund
Clarington Navellier U.S. All Cap Fund
Clarington RSP Navellier U.S. All Cap Fund
Clarington Technology Fund
Clarington RSP Technology Fund
Clarington U.S. Growth Fund (formerly known as "Clarington U.S. Equity Fund")
Clarington U.S. Smaller Company Growth Fund
Clarington Canadian Equity Class
Clarington Digital Economy Class
Clarington Global Communications Class
Clarington Global Equity Class
Clarington Global Health Sciences Class
Clarington Global Small Cap Class
Clarington Global Value Class (formerly, "Clarington Global Large Cap Class")
Clarington Navellier U.S. All Cap Class
Clarington Short-Term Income Class
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 20th, 2001
Mutual Reliance Review System Receipt dated 25th day of July, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
ClaringtonFunds Inc.
Promoter(s):
-
Project #366703, 359044

Issuer Name:
Royal Global Titans Fund
Royal Global Resources Sector Fund
Royal Global Technology Sector Fund
Royal Global Infrastructure Sector Fund
Royal Global Health Sciences Sector Fund
Royal Global Consumer Trends Sector Fund
Royal Global Communications and Media Sector Fund
Royal Global Financial Services Sector Fund
Royal Global Education Fund
Royal Canadian Value Fund
Royal e-Commerce Fund
O'Shaughnessy U.S. Growth Fund
Royal Balanced Growth Fund
O'Shaughnessy U.S. Value Fund
Royal Monthly Income Fund
O'Shaughnessy Canadian Equity Fund
Royal U.S. Mid-Cap Equity Fund (formerly, Zweig Strategic Growth Fund)
Royal Global Balanced Fund (formerly, Zweig Global Balanced Fund)
Royal Dividend Fund
Royal Canadian Equity Fund
Royal Bond Fund
Royal Global Bond Fund
Royal U.S. Equity Fund
Royal Japanese Stock Fund
Royal Precious Metals Fund
Royal Life Science and Technology Fund
Royal Latin American Fund
Royal International Equity Fund
Royal Energy Fund
Royal European Growth Fund
Royal Canadian Small Cap Fund
Royal Asian Growth Fund
Royal Canadian Growth Fund
Royal Balanced Fund
(Series A and Series F units)
Royal Canadian T-Bill Fund
Royal Canadian Money Market Fund
Royal Premium Money Market Fund
Royal $U.S. Money Market Fund
Royal Mortgage Fund
Royal Select Income Portfolio
Royal Select Balanced Portfolio
Royal Select Growth Portfolio
(Series A units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 17th, 2001
Mutual Reliance Review System Receipt dated 19th day of July, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Royal Mutual Funds Inc.
Promoter(s):
-
Project #368087

Issuer Name:
Sentry Select Internet Technology Fund
Sentry Select Global Financial Services Fund
Sentry Select Wireless Communications Fund
Sentry Select Biotechnology Fund
Sentry Select Alternative Energy Fund
Sentry Select Wealth Management Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 18th, 2001
Mutual Reliance Review System Receipt dated 23rd day of July, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Sentry Select Capital Corp.
Promoter(s):
-
Project #368159

Issuer Name:
The Capstone Balanced Trust
The Capstone International Trust
The Capstone Cash Management Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 20th, 2001
Mutual Reliance Review System Receipt dated 23rd day of July, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Capstone Consultants Limited
Promoter(s):
-
Project #370322

Issuer Name:
The Newport Fixed Income Fund
The Newport Canadian Equity Fund
The Newport US Equity Fund
The Newport International Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated July 19th, 2001
Mutual Reliance Review System Receipt dated 20th day of July, 2001
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s) or Distributor(s):
Newport Partners Inc.
Promoter(s):
-
Project #354808

Issuer Name:
Patent Enforcement and Royalties Ltd.
Type and Date:
Rights Offering dated July 18th, 2001
Accepted 19th day of July, 2001
Offering Price and Description:
-
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #370886

This Page Intentionally left blank

Chapter 12

Registrations

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

This Page Intentionally left blank

Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA - Proposed Regulation 2500 for Day Trading Accounts

INVESTMENT DEALERS ASSOCIATION OF CANADA PROPOSED REGULATION 2500 FOR DAY TRADING ACCOUNTS

I OVERVIEW

Numerous firms now applying for membership in the IDA are focusing primarily or even exclusively on promoting day trading strategies to individuals.

A CURRENT RULES

Currently, there are no by-laws or regulations that address the unique issues that arise with respect to day trading. As day trading is an extremely risky activity rules need to be established to protect individuals who are unaware of the substantial losses they may incur.

In addition, while the securities industry is now relaxing the suitability requirements for full-service and discount broker firms, differing suitability concerns arise regarding day trading that are not currently addressed.

B THE ISSUE

Day trading raises unique investor protection concerns. In general, day traders seek to profit from very small movements in the price of a security. Such a strategy generally requires a significant amount of capital, a sophisticated understanding of securities markets and trading techniques, and high risk tolerance. Even experienced day traders with in-depth knowledge of the securities market may suffer severe and unexpected financial losses.

C OBJECTIVE

The proposed regulations will clearly delineate the duties of a Member firm with respect to ensuring that a day trading account is appropriate for a particular client before the opening of such an account. In addition, the Member will have clear responsibilities with respect to warning clients of the risks associated with day trading. Furthermore, assistance in protecting the client from financial loss will be provided in the form of strict leverage limits, in the form of margin requirements, for day traders.

D EFFECT OF REVISION

Proposed Regulation 2500 will result in increased compliance costs for Members that promote day trading strategies and that have clients who meet the definition of a "pattern day trader". However, the Association does not believe that the increased compliance burden is not necessary or appropriate. As stated above, the regulations focus on the promotion of trading strategies that present very high risk to individuals. Members that are actively promoting a day trading strategy should be responsible for assessing whether the strategy is appropriate for individuals who open a day trading account at that firm. These firms should be required to disclose the risk of engaging in a day trading strategy to individuals prior to opening an account for that individual.

Similarly, the Association believes that the programming and monitoring required with respect to the margin obligations would not be unduly burdensome as compared to the advantages achieved. Furthermore, the Association will delay the operative date in order to allow firms to implement the proposal.

Furthermore, the proposed regulations will have a positive impact on the current market structure. The potential for significant losses associated with day trading can be magnified if a sudden and substantial adverse movement were to occur in the prices of securities popular among day traders or in the markets as a whole. The integrity of the financial markets will be better protected through appropriate margin and similar requirements on clients who engage in day trading practices.

II DETAILED ANALYSIS

Association Approval

Member firms that promote day trading strategies, directly or indirectly, must receive approval from the Association before a day trading strategy is promoted. Such approval will only be granted where the Association is satisfied that the Member will comply with the policies and procedures outlined in Policy No. 10. In addition, Members that are granted approval under Regulation 2500 shall be exempt from the suitability requirements under Regulation 1300.

Approval of Client

Once the Member is approved by the Association and is promoting a day trading strategy, directly or indirectly, the Member will be required to approve client's accounts for day trading or obtain a written agreement from the client stating that the client does not intend to use the account for day trading activities. A Member would not be permitted to rely on the agreement if the Member knows that the client intends to use the account for day trading. Moreover, if a Member opens an account for a client in reliance on the agreement, but later knows that the client is using the account for day trading activities, then the Member would be required to approve the client's account for day trading.

As part of the account approval process, a Member would be required to have reasonable grounds for believing that day trading is appropriate for the client. In making this determination, the Member would be required to exercise reasonable diligence to ascertain the essential facts relative to the client, including his or her financial situation, investment

knowledge, and investment objectives and risk tolerance. In addition, if the financial circumstances of the client have changed, the Member must consider whether a day trading strategy is still suitable for the client.

Risk Disclosure Statement

When a Members opens an account for a client they will be required to deliver a disclosure statement to clients discussing the unique risks posed by day trading prior to opening such an account. The disclosure statement includes several factors that a client should consider before engaging in day trading. A Member firm will be permitted to develop an alternative risk disclosure statement, provided that the alternative statement was substantially similar to the mandated statement and was filed with, and approved by the Association. The Member must also obtain an acknowledgement that the client has received and understood the risk disclosure statement set forth in Policy No. 10 prior to opening the account.

Training Course

Before an account is approved, the Member must establish a method to determine whether the client understands the fundamentals and risks of day trading and the use of the Member's order execution systems. In the even that the client can not demonstrate such understanding the Member must provide the client with a training course sufficient to supply the client with the appropriate level of knowledge to use the Member's day trading services. The above measures are necessary in light of the substantial risks associated with day trading.

Client Financial Review and Minimum Margin Excess Requirement

Finally, before trading can commence in the account, the Member must ensure that the client has adequate financial resources deposited in the account to support the use of a day trading strategy. This will be achieved through the review of the client's financial situation, as previously discussed, as well as by ensuring that the client maintains a minimum margin deposit in the account at all times.

General Definitions

"Promoting a Day Trading Strategy"

Proposed Regulations 2500 applies to those firms that are "promoting a day trading strategy". As a result, the regulation will apply in situations where a Member firm either solicits a person on an individual basis or advertises to the general public.

While the proposal does not define "promoting", it sets out certain activities that would clearly not fall within the definition.

"Non-Institutional Client"

The proposal applies to all non-institutional clients. Applying the regulation to non-institutional clients will ensure that most individuals will be covered by the proposal, regardless of whether they engage in day trading activities in their own name or in the name of a corporation or partnership.

"Day Trade" and "Day Trading Strategy"

Regulation 2500.5 defines a "day trade" as a trade characterized by the execution of a purchase order and a sale order on the same security on the same day. Therefore, if a client has at least one purchase order and one sale order on the same security on the same day, a day trade will be held to have occurred.

A "day trading strategy" is defined as a strategy characterized by the transmission by a client of day trade orders. In addition, although as a practical matter, day trading typically requires electronic delivery of orders, the definition shall be interpreted to include orders transmitted by non-electronic means, such as by telephone.

Detailed Discussion of Margin Requirements

Proposed Regulation 2500.7 will apply to all Members who promote day trading and who have accounts of pattern day traders. The regulation will require, through the use of margin requirements, that pattern day traders keep the level of their trading activities within strict leverage limits.

Definition of "Pattern Day Trader" for margin purposes

For the purpose of determining which accounts are subject to a leverage limit requirement, a "pattern day trader" has been defined as:

- Someone who enters into at least four day trades over a five business day period; and
- For at least four of those trades, performs the trades when the account has insufficient margin.

The definition of pattern day trader was written in this manner to:

- Set out a quantitative methodology for determining which accounts are to be subject to a day trading margin requirement; and
- Exclude from consideration those accounts with transactions that are otherwise fully margined.

Application of Margin Requirements

As stated previously, any Member who promotes day trading and has pattern day trader accounts will be subject to these margin requirements.

Specific Margin Requirements

In summary, the specific proposed margin requirements to be applied to pattern day trader accounts are as follows:

- Minimum margin excess requirement [Reg 2500.7(c)];
- Open position margin requirement [Reg. 2500.7(d)]; and
- Buying power limit [Reg. 2500.7(e)].

The minimum margin excess requirement is the minimum amount of margin a day trader must deposit into an account before being approved for the use of a day trading strategy. It is proposed that the initial minimum margin excess requirement be $40,000 and that this amount must be deposited into the account before a client may commence day

trading. It is also proposed that the maintenance margin excess requirement be $25,000 and that this amount would be required to be maintained in the client's account at all times. Given the speculative nature of day trading, a requirement for the account to contain these minimum margin excess levels will provide a Member firm with a "cushion" to protect it from losses that may exceed the client's ability to pay. By the same token, this amount will not overly restrict day traders with limited capital.

The open position margin requirement is a backward looking or detective leverage test. The requirement must be calculated, at a minimum, at the end of each business day and is 25% of the largest open position put on by the client during the day. If the margin calculated is greater than the margin excess in the account, the client has violated their leverage limit[1] for the account and a margin call will result.

The buying power limit is a forward looking or prospective leverage test. The buying power limit is required to be determined, at a minimum, at the beginning of each trading day and is four times the account margin excess. Where the maximum open position in the account during the day exceeds the buying power limit, a margin call will result.

So, as long as adequate account margin excess is maintained and the level of trading activity results in a lower than four to one leverage ratio, the pattern day trader account will be considered to be adequately margined. If this is not the case and one of the rules above is violated, a margin call will be made. Further, day trading activity in the account will be restricted until the margin call is satisfied.

In addition to the above, any margin deposits made must remain in the client's account for at least two business days. In the view of the Association, these proposed margin requirements and account limitations appropriately address the intra-day risks created by a pattern day trader.

Policy No. 10

In addition to the requirements of Regulation 2500, Policy No. 10 contains policies and procedures that Member firms will need to comply with in order to obtain the approval of the Association to promote day trading. The policy will look at account opening procedures and approval processes, supervision of accounts, as well as the systems, books and records of the Member. Policy 10 also contains the risk disclosure statement discussed above that must be given to clients before an account is opened.

B ISSUES AND ALTERNATIVES CONSIDERED

There were no other alternatives considered.

C COMPARISON WITH SIMILAR PROVISIONS

The National Association of Securities Dealers ("NASD") has in place Rule 2360, Approval Procedures for Day Trading Accounts and Rule 2361, Day Trading Risk Disclosure Statement.

Both the NASD under Rule 2520 and the New York Stock Exchange ("NYSE") under Rule 431 have rules governing Margin Requirements for day traders.

Proposed Regulation 2500 of the Association is substantially similar to the rules of the NASD and NYSE.

In its drafting of proposed Regulation 2500, the Association also considered the registration applications and respective Orders issued by the Ontario Securities Commission with respect to Quest Capital Group Limited, the conditions issued by the Commission des valeurs mobilières du Quebec for registered dealers wishing to perform day trading in Quebec and the conditions of registration issued by the British Columbia Securities Commission regarding Swift Trade Securities Inc.

D PUBLIC INTEREST OBJECTIVE

The Association believes that the proposed regulations are in the public interest in that the obligation on Members promoting day trading strategies to disclose the risk of these strategies and to determine whether the strategy is appropriate for a client will help to protect investors and the public interest in an increasingly more sophisticated trading environment.

Furthermore, margin requirements will protect pattern day traders, the Members where those traders have their accounts and the markets on which they trade.

The integrity of the capital markets is increased by these regulations which are designed to reduce unnecessary risk of financial loss to market participants.

III COMMENTARY

A FILING IN OTHER JURISDICTIONS

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B EFFECTIVENESS

The risk disclosure statement and appropriateness review mandated by the proposed regulations are carefully designed and tailored to address investor protection concerns raised by the increasingly popular strategy of day trading.
In addition, the proposed regulations take a reasonable approach to specifying the type of trading activity over which leverage limits, through the use of margin requirements, should apply. The standards used are objective and can be applied uniformly to all Members with pattern day trader accounts.

C PROCESS

The proposed amendments were approved by the Financial Administrators Section and the Compliance and Legal Section.

[1] A 25% margin requirement is the same as a 4 to 1 account leverage limit.

IV SOURCES

IDA Regulation 1300

National Association of Securities Dealers Rule 2360 Approval Procedures for Day trading Accounts, Rule 2361 Day trading Risk Disclosure Statement and Rule 2520 Margin Requirements.

New York Stock Exchange Rule 431 Margin Requirements.

In the Matter of the *Securities Act,* R.S.O. 1990, c. S.5, as amended and In the Matter of Quest Capital Group Limited (Rule 31-505, September 18, 2000.

British Columbia Securities Commission Notice 1999/06/18-7, 99/24 BCSCWS 96, issued June 18, 1999.

V. OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the proposed amendments so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed amendment. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of the Deborah Wise or Richard Corner, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Compliance, Ontario Securities Commission, 20 Queen Street West, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Deborah Wise
Legal and Policy Counsel
Investment Dealers Association of Canada
(416) 943–6994

Richard Corner
Director, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-6908

REGULATION 2500
DAY TRADING

2500.1 **Association Approval To Promote Day Trading**

(a) Every Member that promotes a day trading strategy, directly or indirectly, must receive approval from the Association before the strategy is promoted. The Association in its discretion shall only grant such approval where the Association is satisfied that the Member will comply with the policies and procedures outlined in Policy No. 10. The application for approval shall be accompanied by a copy of the day trading policies and account documentation. Following such approval any material change in the above noted materials shall promptly be submitted to the Association for prior approval.

(b) Every Member that is granted approval under Regulation 2500.1(a) shall be exempt from the suitability requirements under Regulation 1300.

2500.2. **Approval Procedures for Accounts** No Member that is promoting a day trading strategy, directly or indirectly, shall open an account for or on behalf of a non-institutional client, unless, prior to opening the account, the Member:

(a) (i) has approved the client's account for a day trading strategy in accordance with the procedures set forth in Policy 10, and prepared a record setting forth the basis on which the Member has approved the client's account; or

(ii) has received from the client a written agreement that the client does not intend to use the account for the purpose of engaging in a day trading strategy, except that the Member may not rely on such agreement if the Member knows that the client intends to use the account for the purpose of engaging in a day trading strategy; and

(b) has obtained an acknowledgement that the client has received and understood the risk disclosure statement set forth in Regulation 2500.6 and Policy No. 10; and

(c) has received from the client an amount at least equal to the minimum margin excess requirements as required by 2500.7(c); and

(d) has reasonable grounds to believe that the day trading strategy is appropriate for the client. In making this determination, the Member shall exercise reasonable diligence to ascertain the essential facts relative to the client, as required by Policy 10; and

(e) must establish a method to determine whether the client understands the fundamentals and risks of day trading and the use of the Member's order execution systems. In the event that the client cannot demonstrate such understanding the Member must provide the client with a training course sufficient to supply the client with the appropriate level of knowledge to use the Member's day-trading services.

2500.3. If a Member that is promoting a day trading strategy opens an account for a non-institutional client in reliance on a written agreement from the client pursuant to Regulation 2500.2(a)(ii) and, following the opening of the account, knows that the client is using the account for a day trading strategy, then the Member shall be required to approve the client's account for a day trading strategy in accordance with Regulation 2500.2(a)(i) as soon as practicable, but in no event later than 10 business days following the date that such Member believes that the client is using the account for such a strategy. If the account cannot be approved for a day trading strategy in accordance with Regulation 2500.2(a)(i), then the

Member must ensure that the use of a day trading strategy cease immediately.

2500.4. Any record or written statement prepared or obtained by a Member pursuant to this Regulation shall be maintained in accordance with By-law 17.2 and Regulation 200.

2500.5 **Definitions**

For the purposes of this Regulation:

(a) the term "day trade" means a trade that is characterized by the execution of a purchase order and a sale order on the same security on the same day.

(b) the term "day trading strategy" means a strategy characterized by the transmission by a client of day trade orders.

(c) the term "non-institutional client" means a client that does not qualify as an "institutional account". Institutional accounts for the purposes of this Regulation mean the accounts of:

(i) "acceptable institutions" as defined in the General Notes and Definitions to the Joint Industry Financial Questionnaire and Report;

(ii) "acceptable counterparties" as defined in the General Notes and Definitions to the Joint Industry Financial Questionnaire and Report;

(iii) "regulated entities" as defined in the General Notes and Definitions to the Joint Industry Financial Questionnaire and Report; and

(iv) any entity other than a natural person with at least $10 million invested in securities in the aggregate in its portfolio or under management.

(d) a Member will not be deemed to be "promoting a day trading strategy" solely by its engaging in the following activities:

(i) promoting efficient execution services or lower execution costs based on multiple trades;

(ii) providing general investment research or advertising the high quality or prompt availability of such general research; or

(iii) having a Web site that provides general financial information or news or that allows the multiple entry of intra-day purchases and sales of the same securities.

(e) Member firms trading in futures contracts and options on futures contracts are exempt from this Regulation.

2500.6. **Day Trading Risk Disclosure Statement**

(a) Except as provided in Regulation 2500.6(b) below, no Member that is promoting a strategy, directly or indirectly, shall open an account for or on behalf of a non-institutional client unless, prior to opening the account, the Member has obtained an acknowledgement that the client has received and understood the risk disclosure statement as provided in Policy 10.

(b) In lieu of providing the disclosure statement specified in Policy 10, a Member that is promoting a day trading strategy may provide to the client prior to opening the account, an alternative disclosure statement, provided that:

(i) the alternative disclosure statement shall be substantially similar to the disclosure statement specified in Policy 10, and

(ii) the alternative disclosure statement shall be filed with the Association's Sales Compliance Department ("Department") for review at least 10 business days prior to use (or such shorter period as the Department may allow in particular circumstances) to be approved and, if changes are required by the Association, shall be withheld from use until any changes specified by the Association have been made or, if expressly disapproved, until the alternative disclosure statement has been refiled for, and has received, Association approval.

2500.7. **Margin Requirements**

(a) **Definitions -**

For the purposes of this Regulation 2500.7

(i) the term "pattern day trader" means any non-institutional client of a Member that promotes a day trading strategy, directly or indirectly, who:

(A) executes four or more day trades within five business days; and

(B) for four or more of the trades in (A), has insufficient margin excess to cover the normal settlement date margin requirement for the trade, calculated using the same requirements as for a margin account, at the time of trade execution.

However, if the number of day trades is six percent or less of the total trades for the five business day period, the client will not be considered a pattern day trader and the requirements under Regulation 2500.7 will not apply. If a pattern day trader does not day trade for a 90 calendar day period, the client will no longer be considered a pattern day trader.

(ii) the term "margin excess" means the margin excess calculated using the same requirements as for a margin account.

(iii) the term "minimum margin excess" refers to the minimum account margin excess that must be

maintained in the account of a pattern day trader.

(iv) the term "open position" refers to the cumulative absolute market value of all long and short security positions in a client account at a point in time. In determining the open position, positions that qualify for margin offset in Regulation 100 may be excluded.

(b) **Day trading Minimum Margin Excess Requirements -**

The initial minimum margin excess required for the accounts of clients deemed to be pattern day traders shall be $40,000. The initial minimum margin excess must be deposited into the account before such client may commence day trading. The maintenance minimum margin excess required is $25,000 and this amount must be maintained in the client's account at all times. At the end of each business day, at a minimum, in the event the account margin excess is less than $25,000, a margin deficiency of the amount of the excess of $40,000 over the account margin excess will result and a margin call will be made.

(c) **Day trading Open Position Margin Requirement -**

At the end of each business day, at a minimum, the day trading open position margin requirement shall be calculated for the account of a pattern day-trader. The requirement shall be 25% of the largest open position in the account during the day. In the event the day trading open position margin requirement calculated is greater than the account margin excess, a margin deficiency of the amount of the excess will result and a margin call will be made.

A record showing the "time and tick" of each trade must be maintained to document the sequence in which each day trade was completed.

(d) **Day Trading Buying Power -**

(i) For the purposes of this provision, the term "day trading buying power" for a particular client account shall mean the account margin excess at the close of business of the previous day, multiplied by a factor of four.

(ii) In the event that a pattern day trader exceeds its day trading buying power, a margin deficiency equal to 25% of the amount of the excess will result and a margin call will be made. Commencing on the next business day and until the client satisfies the margin call, the factor used in Regulation 2500.7(d)(i) in determining the client's day trading buying power will be two.

(e) **Failure to Meet Margin Calls** - Pattern day traders who fail to meet a margin call, resulting from any of the margin requirements set out in Regulations 2500.7 (b), (c) and (d), within three business days from the date the margin deficiency occurs:

(i) shall not be permitted to execute day trading transactions until the margin call is met; and

(ii) shall have any open positions within the account margined as though the positions were in a regular margin account.

(f) Non-Withdrawal - Amounts deposited into a pattern day trader's account to meet any of the margin requirements set out in Regulations 2500.7 (b), (c) and (d) shall not be withdrawn for a minimum of two business days following the close of business on the day of deposit.

(g) Use of an intra-day or real time margining system - The margin requirements set out in Regulations 2500.7 (b), (c) and (d) require that, at a minimum calculations be performed every business day using either end of business day or beginning of business day information. These minimum margin requirements do not preclude Member firms using more sophisticated intra-day or real time margining systems.

13.1.2 IDA - Proposed Rule Amendments, Discretionary and Managed Accounts

INVESTMENT DEALERS ASSOCIATION OF CANADA – PROPOSED RULE AMENDMENTS, DISCRETIONARY AND MANAGED ACCOUNTS

I OVERVIEW

A CURRENT RULES

The current provisions governing discretionary and managed accounts are vague as to the distinction between the two types of accounts. However, these provisions do make it evident that the requirements for managed accounts are more onerous than for discretionary accounts.

Discretionary accounts are only renewable in writing and generally may not have a term of more than one year. Discretionary accounts are required to be reviewed at least monthly with respect to the financial performance of each account, which includes a review to determine whether any person permitted to effect trades for such account should continue to do so. Generally, a partner, director, officer or registered representative may effect trades in a discretionary account but the account must be approved by a designated person.

Managed accounts may continue for more than twelve months and do not require renewal. These accounts are operated by an individual designated as a portfolio manager or associate portfolio manager. Supervisory responsibility for these accounts is assumed by a designated partner, director or officer. Member firms that operate managed accounts are required to form a portfolio management committee which is required to review, at least once each quarter, the investment policies of the Member firm in respect of its managed accounts. In addition, such accounts are reviewed quarterly by the designated person to ensure that the investment objectives of the client are diligently pursued and the account is being conducted in accordance with the Regulations.

B THE ISSUE

Based upon the current structure of Regulation 1300 of the Investment Dealers Association there seems to be a need to further separate and clarify the characteristics of discretionary and managed accounts. The line between these two types of account structures has been blurred and as a result, discretionary accounts have become tantamount to managed accounts. The use of discretionary accounts must be restricted and further controls put in place.

C OBJECTIVE

The objective of the amended Regulations is to provide more supervision of discretionary accounts to clearly set out who has responsibility for such accounts and in what circumstances these accounts are permitted. Ideally, these amendments will balance today's registered representative's need for a reasonable amount of flexibility when dealing with client accounts and the Member firm's need to monitor this type of trading closely.

D EFFECT OF PROPOSED RULES

The proposed Regulations will have minimal impact on the current market structure, the nature of competition in the industry and the cost of compliance of many Member firms.

The regulatory regime relating to the use of discretionary accounts has increasingly become the focus of concern from senior management of brokerage houses.

The proposed amendments will alter the current market structure in that the proposed Regulations will clearly set out and modify how and under what circumstances these accounts should be operated. Many other factors such as the increased volume in markets and the increased initial public offerings of high technology securities are changing how markets look and behave. These factors, in turn, require greater supervision of discretionary accounts to ensure that they are being used for the correct purposes. The Association submits that, in and of itself, a move towards greater supervision over discretionary accounts will not have a significant impact on the current market structure and will in fact assist Member firms by imposing clear and consistent requirements.

Furthermore, the increased costs of compliance that will be incurred from greater supervision is still minimal when compared to the potential costs of litigation if those discretionary accounts are driven "underground". This will provide to the public greater safeguards and, in turn, save the client from unexpected losses or any abuse resulting from the use of a discretionary account.

II DETAILED ANALYSIS

A PRESENT RULES, RELEVANT HISTORY AND PROPOSED RULES

Present Rules and History

The purpose and rationale for discretionary accounts have changed over time. Initially, discretionary accounts were used as a vehicle of convenience when a client was incapacitated due to illness or travel. The discretion was given to their registered representative to make trades on the client's behalf when that client was unable to direct the registered representative themselves. However, this discretion was not to be used for more than one year at a time.

However, Member firms and clients have now expressed the need for the availability of discretionary accounts for purposes beyond this limited scope. In effect, a "hybrid" discretionary account is being sought. In such a model, the client participates in making their own investment decisions when they wish (as opposed to a managed account), yet still enable their broker to "manage" the account when the client is too busy or unable to be contacted in a reasonable time period.

To enable discretionary accounts to operate in this manner, the current Regulations require clarification as to who should be allowed to supervise a discretionary account, the methods of the renewal, and how each account should be reviewed to ensure appropriate checks and balances are in place.

Proposed Rules

The proposed Regulations ensure that the needs of Member firms are met as a result of changes to the nature of the business. At the same time, the proposed Regulations will ensure that the investing public is continually protected and informed.

The proposed Regulations, as do the current Regulations, set out that no person shall effect trades for a customer in a discretionary account unless the Member firm has designated an individual to supervise discretionary accounts. Similarly, both the current and proposed Regulations state that prior written authorization should be received from the client before a registrant can effect a trade for that client's discretionary account.

However, the proposed Regulations now go further in that a client's written authorization is also required with respect to participation in new issues underwritten by the Member that the registrant participates in on the client's behalf. This provision was added in recognition of the fact that, many clients have discretionary accounts because they would like to participate in these deals even when they are not easily accessible. This provision will provide the benefit that the client is looking for while ensuring that oversight is applied prior to the trade being executed.

Furthermore, the proposed Regulations now state that whoever is effecting trades in the discretionary account must not have solicited the discretionary authority. This amendment reiterates a similar provision found in Policy No. 2 Minimum Standards for Retail Account Supervision.

Another new control with respect to discretionary accounts requires that *all trades* for the account must receive prior approval. This approval may be written, electronic or in some other form provided it can be evidenced in some manner.

In addition, the amendments require that if a partner, director or officer is responsible for that discretionary account, prior approval for all trades must be provided by another partner, director, officer or branch manager. However, if the person responsible for the account is a director who is also a member of the firm's executive committee, this approval of the director's trades is not necessary. This final provision was included to recognize that certain directors, by virtue of their offices, should not require a second level of approval. Additionally, in small and mid-sized firms, it may be difficult to have higher levels of supervisors in relation to directors. Furthermore, by restricting the provisions to directors who are members of the executive committee, the rule ensures that it does not permit the benefit to apply to directors who may have been granted the title for "sales driven" or other reasons rather than for corporate governance or oversight reasons.

The proposed Regulations now provide further clarification on the process of renewing discretionary accounts, which includes the requirement to notify the client that the discretionary authorization is still in effect and to remind the client of the investment objectives of that account. Although the current provisions required the renewal be in writing and be for a term of no more than twelve months, it became clear that this requirement was unworkable and difficult for Member firms to maintain which led to lack of compliance. Consequently, it appeared more realistic to permit a renewal notice instead, which, along with the additional supervision requirements, would ensure that discretionary accounts would be used more for their intended purposes.

Finally, the proposed Regulations request that Member firms create an appropriate supervisory system for discretionary account activities, which includes the establishment of a discretionary account committee that will review, on an annual basis, the supervisory systems established by the Member.

A quarterly account review is also required that reviews the suitability of investments rather than imposing a "financial performance" test as set out in the current Regulations.

B ISSUES AND ALTERNATIVES CONSIDERED

One alternative that was considered was to remove the ability of Member firms to offer discretionary accounts. However, after speaking to industry participants it appeared more appropriate to have discretionary accounts out "in the open" with more stringent supervision rather than sending them "underground" where there would be no supervision.

C COMPARISON WITH SIMILAR PROVISIONS

NASD Rule 2510 Discretionary Accounts sets out the requirements for discretionary accounts and is similar to the proposed Regulations in that the provisions set out the conditions under which a discretionary account may be utilized and how it is supervised. However, unlike the proposed amendments to Regulation 1300, which provide for some new requirements with respect to discretionary accounts, Rule 2510 is considerably more brief. The Rule simply requires the prior written authorization of the client and the approval of a designated partner, officer or manager of the account in writing. The designated person is also required to review all discretionary accounts at frequent intervals in order to detect and prevent transactions which are "excessive in size or frequency in view of the financial resources and character of the account."

NYSE Rule 408 Discretionary Power in Customers' Accounts clearly states that the written authorization of the customer is required before discretionary power is exercised in a customer's account. The Rule also states that these accounts shall receive frequent appropriate supervisory review by a person delegated with such responsibility. The Rule also requires that a written statement of the supervisory procedures governing such accounts must be maintained.

In general, it is evident that the requirements with respect to discretionary accounts under NASD Rule 2510 and NYSE Rule 408 are considerably less onerous than those proposed under the revised Regulation 1300.

D PUBLIC INTEREST OBJECTIVE

The Association believes that the proposed Regulations are in the public interest in that they will facilitate an efficient, fair and competitive market. This will be accomplished by ensuring that investors receive the services they deserve and that Member firms can ensure that the client or the registered representative uses these services for the purpose for which they were intended.

In addition, the proposed Regulations will assist in the protection of the investing public and the integrity of the capital markets by providing for appropriate safeguards designed to ensure that the use of discretionary accounts will not be used inappropriately by registrants or lead to confusion on the part of clients.

III COMMENTARY

A FILING IN OTHER JURISDICTIONS

These proposed Regulations will be filed for approval in Alberta, British Columbia, Ontario and Saskatchewan and will be filed for information in Nova Scotia

B EFFECTIVENESS

The rationale for these particular changes to Regulation 1300 is that it will enable registrants to be more forthcoming about discretionary accounts. The proposed Regulations will create an atmosphere where there is more supervision and appropriate "checks and balances".

C PROCESS

The proposed Regulations were approved by the Compliance and Legal Section Executive and the Section's Sub-Committee on Discretionary Accounts.

IV SOURCES

- IDA Regulation 1300
- NASD Rule 2510 and 3010
- New York Stock Exchange Rule 408

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying proposed Regulations so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed Regulations. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Michelle Alexander, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Compliance, Ontario Securities Commission, 20 Queen Street West, Suite 800, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Michelle Alexander
Senior Legal and Policy Counsel
Investment Dealers Association of Canada
(416) 943 – 5885

INVESTMENT DEALERS ASSOCIATION OF CANADA DISCRETIONARY AND MANAGED ACCOUNTS

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulations 1300.4, 1300.5 and 1300.6 are repealed and replaced as follows:

"1300.4. No partner, director, officer or registered representative shall effect trades for a customer in a discretionary account unless:

(a) the Member has designated a partner, director, officer, futures contract principal or futures contract options principal, as the case may be, specifically responsible for the supervision of discretionary accounts;

(b) the prior written authorization has been given by the customer to the Member and accepted by the Member in compliance with Regulation 1300.5;

(c) in respect of new issues underwritten by the Member, the registered representative responsible for the discretionary account has obtained separate written authorization

(i) from the customer, prior to exercising discretion on the customer's behalf, indicating that the customer wishes the registered representative responsible for the discretionary account to participate in new issues on the customer's behalf, and

(ii) from the person designated in Regulation 1300.4(a) prior to exercising discretion on the customer's behalf with respect to new issues;

(d) the account has been specifically approved and accepted in writing as a discretionary account by the person designated under subsection (a);

(e) the partner, director, officer or registered representative has not solicited the discretionary authority; and

(f) all trades in a discretionary account, where the person responsible for the account is not also a director who is a member of the executive committee of the Member, shall receive prior approval, written or by some other form which shall be evidenced in a satisfactory manner, by a futures contract principal or futures contract options principal or a partner, director, officer or branch manager other than the partner, director or officer responsible for the discretionary account,

and provided that any such person permitted to effect discretionary trades shall have actively dealt in, advised in respect of or performed analysis with respect to the securities or commodity futures contracts or options which

are to be traded on a discretionary basis for a period of two years.

1300.5. The prior written authorization provided for by clause (b) of Regulation 1300.4 shall:

(a) define the extent of the discretionary authority which has been given to the Member;

(b) except for a managed account, the renewal of a discretionary account requires each Member firm's head office to notify all discretionary account customers (other than managed accounts) in writing, on an annual basis, of the investment objectives of the customer and that the written discretionary authorization is still in effect. Evidence of such notification shall be retained by the Member firm's head office and registered representative responsible for the discretionary account and be available for inspection by the Association;

(c) only be terminated by the customer by notice in writing, which notice shall be effective on receipt by the Member except with respect to transactions entered into prior to such receipt; and

(d) only be terminated by the Member by notice in writing, which notice shall be effective not less than 30 days from the date of mailing the notice to the customer by pre-paid ordinary mail at the customer's last address appearing in the records of the Member.

1300.6 Each Member shall establish and maintain a system to supervise the activities of those designated in Regulation 1300.4 to effect trades. Such system should be reasonably designed to achieve compliance with the By-laws, Regulations, Forms and Policies of the Association. A Member firm's supervisory system shall provide, at a minimum, for the following:

(a) the establishment and maintenance of written procedures; and

(b) the establishment of a discretionary account committee, which shall include the person responsible for the supervision of such accounts, that shall review the supervisory system procedures established by the Member and recommend to senior management the appropriate action that will achieve the Member's compliance with applicable securities legislation and with the By-laws, Regulations, Forms and Policies of the Association. Such review should be completed at least annually.

1300.6A. In addition to any other account supervision requirements under the By-laws and Regulations, the persons designated under Regulation 1300.4(a) with respect to each discretionary account (other than a managed account) shall review at least quarterly:

(a) the suitability of investments in accordance with the investment objectives of the customer; and

(b) whether any person permitted to effect trades for such account in accordance with Regulation 1300.4 should continue to do so.

1300.6B. The tasks of this Regulation assigned to persons designated under Regulation 1300.4(a) may be delegated to those who have the qualifications to perform them. However, pursuant to Policy No. 2, responsibility for the tasks may not be delegated."

PASSED AND ENACTED BY THE Board of Directors this 19th day of June 2001, to be effective on a date to be determined by Association staff.

13.1.3 IDA - Proposed Regulation Amendment, Early Warning Reporting

INVESTMENT DEALERS ASSOCIATION OF CANADA PROPOSED REGULATION AMENDMENT – EARLY WARNING REPORTING

I OVERVIEW

A CURRENT RULES

The objective of early warning is to measure, in as many ways as possible, the characteristics, which are likely to identify a firm heading into financial trouble and to impose a series of restrictions and sanctions to reduce further deterioration. The sanctions, including rigorous regulatory scrutiny, are intended to get a firm out of early warning and prevent a subsequent capital deficiency.

Early warning measures are defined in IDA By-law 30, and include profitability, capital and liquidity tests. The by-law sets out the mechanism of regulatory scrutiny for member firms designated in level 1 or 2 early warning.

B THE ISSUES

Member firms generally submit their regulatory financial information no later than 20 business days **after** month-end. This information may not be indicative of the member firms current financial condition in the event that it has triggered intra-month early warning tests subsequent to the month-end filing.

This current rule does not require a member firm to immediately report early warning triggers other than month-end. This is inconsistent with the intent and purpose for the implementation of the early warning system as an "advance warning" of member firms encountering financial difficulty as only month-end regulatory filings provide any details of member firms triggering early warning.

C EFFECT OF THE PROPOSED RULES

The proposed rules would have no effect on market structure or other rules. It may have short-term impact on the competitiveness of an effected Member. However, typically Members in this state are already providing inferior service and are at a significant competitive disadvantage because of these inferior service levels.

II DETAILED ANALYSIS

A PRESENT RULES, RELEVANT HISTORY AND PROPOSED POLICY

The early warning tests based on the financial capital position of the firm serve to identify Member firms that face financial difficulty that may result in future impairment of regulatory capital.

There are two levels of capital, profitability, and liquidity tests used to designate a Member firm in early warning category. Once a firm is designated in early warning, the primary sanctions available under this early warning designation include increasing the frequency of regulatory financial reporting to the IDA and restricting the firm's ability to alter its capital structure and its ability to pay discretionary bonuses and make significant capital expenditures. There may also be business restrictions imposed such as segregating any portion of customer free credit balances, no material increases in inventory positions, no opening of branch offices or new accounts.

The Joint Industry Capital Project (JICP) Report dated March 12, 1993 formally introduced the early warning system in the reformulation of the "Uniform Capital Formula". An integral part of the capital formula was an early warning system based on profitability, liquidity and capital tests.

As stated in the JICP Report, *"the system is designed to **provide advance warning** of a member firm's encountering financial difficulties. While the system will not provide warning for all circumstances which may cause a firm to have subsequent capital shortages and/or liquidity problems, it will anticipate some of those situations and will encourage firms to build a capital cushion"*

As early warning tests are formally reported as part of the month-end regulatory filing of a member firm, it may take up to 20 business days following the month-end report date for the IDA to identify any member firm that has triggered early warning and defer the regulatory ability to impose applicable restrictions as permitted in By-law 30. If the intent and purposes of the early warning system is in fact to provide an effective "advance warning" of a member firm that is encountering financial difficulty, the current regulatory reporting mechanism is inadequate.

Consistent with current Regulation 17.1 for member firms to immediately report a capital deficiency occurrence, it is proposed that member firms also be required to immediately report early warning level 1 and/or level 2 capital and liquidity test violations triggered intra-month. These calculations are presently required pursuant to IDA Internal Control Policy 3, Statement 2 - "Capital Adequacy".

B OBJECTIVE

The IDA has identified the need to codify the intent and purpose of the early warning system as both a preventive and detective regulatory tool. As a current preventive tool, to encourage firms to maintain an adequate "cushion" of capital at all times. As an effective detective tool, to require member firms to immediately report to the IDA any triggers of early warning criteria in the course of intra-month internal management reporting of capital adequacy.

C COMPARISON WITH SIMILAR PROVISIONS

The proposed rule amendment regarding immediate reporting of early warning tests is consistent with Regulation 17.1, which presently requires member firms to immediately report a capital deficiency occurrence to the IDA.

D PUBLIC INTEREST OBJECTIVE

The amendment is designed to promote the protection of investors and just and equitable principles of trade and high standards of operations, business conduct and ethics.

It does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It also does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

It is recommended that the following amendments to IDA Internal Control Policy 3, Statement 2 – "Capital Adequacy" be approved:

i) Amend paragraph 6(d)

At least weekly, but more frequently if required (e.g. the firm is operating close to early warning levels or volatile market conditions exist) the Chief Financial Officer or designated person assigned the task for monitoring the capital position documents that he/she has:

(d) estimated the application to the Member of the liquidity and capital tests under the early warning calculations for Level 1 and/or Level 2 of By-law 30. In addition, at least monthly estimate the application of the profitability tests under the early warning calculations for Level 1 and/or Level 2 of By-law 30.

ii) Amend Paragraph 7

Senior Management takes prompt action to avert or remedy any projected or actual capital deficiency and reports any deficiencies, when required, immediately to the appropriate regulators. In addition, senior management promptly reports to the appropriate regulators any conditions or circumstances that are, or should be, apparent from the actions required to be performed under this Statement that could require the Member to be designated in early warning Level 1 or Level 2 in accordance with By-law 30 because of the application of the liquidity, capital or profitability tests.

A FILING IN OTHER JURISDICTIONS

Similar filings are being made in Alberta, British Columbia and Nova Scotia.

B EFFECTIVENESS

The rule amendment will provide increased effectiveness in the member regulation oversight of member firms.

Member firms are required pursuant to Regulation 17.1 to maintain positive Risk Adjusted Capital at all times. IDA Internal Control Policy 3, Statement 2 requires Member firms to monitor their capital position, including early warning tests intra-month to ensure capital adequacy. If in the course of monitoring capital adequacy intra-month management discovers early warning tests have been triggered, this must be reported to the IDA immediately.

Consistent with the requirement for member firms to immediately report any occurrence of a capital deficiency to the IDA pursuant to IDA By-law 17.1, a similar requirement should exist for reporting early warning triggers so that the IDA may monitor and take remedial regulatory action as required pursuant to By-law 30.1 to prevent the further deterioration of the financial condition of the firm.

It is in the public interest to identify firms that trigger early warnings tests, as it is a precursor to the possibility of the occurrence of a capital deficiency and insolvency of a firm. The proposed rule amendment would allow the IDA to exercise closer regulatory scrutiny over the financial condition of the firms that are designated in early warning and take timely regulatory actions as may be required under the circumstances.

C PROCESS

This amendment was developed by IDA staff and approved by the FAS and Board of Directors.

IV SOURCES

- IDA Regulation 17.1
- IDA By-law 30.
- Policy 3, Statement 2.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying rule amendments so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed rule amendments. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of the Association Secretary, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager, Document Management, Market Operations, Ontario Securities Commission, 20 Queen Street West, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Keith Rose
Vice-President, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-6907

or

Louis P. Piergeti
Vice-President, Financial Compliance
Investment Dealers Association of Canada
(416) 865-3026

July 3, 2001

INVESTMENT DEALERS ASSOCIATION OF CANADA
Early Warning Monitoring and Reporting

The section entitled "Minimum Required Firm Policies and Procedures" of Internal Control Policy Statement 2 of Policy No. 3 is amended as follows (changes are marked):

"Minimum Required Firm Policies and Procedures

1. The Chief Financial Officer is responsible for continuous monitoring of the capital position of the firm to ensure that at all times Risk Adjusted Capital is maintained as prescribed by IDA regulation.

2. The firm's planning process recognizes the projected capital requirements resulting from current and planned business activities.

3. Activity limits for the major functional areas of the firm (such as capital markets, principal trading, borrowing/lending etc.) are designed to ensure that the combined operations of the firm maintain at least the minimum required amount of risk adjusted capital.

4. Such activity limits are approved by senior management and communicated to the executives responsible for the various major functional areas. Actual performance is compared to such limits by the Chief Financial Officer or designated person assigned the task of monitoring the capital position, and breaches are reported promptly to senior management

5. At least weekly, but more frequently is required (e.g. the firm is operating close to early warning levels or volatile market conditions exist) the Chief Financial Officer or designated person assigned the task for monitoring the capital position documents that he/she has:

   (a) received management reports produced by the accounting system showing information relevant to estimation of the capital position;

   (b) obtained other information concerning items that, while they may not yet be recorded in the accounting system, are likely to significantly affect the capital position (e.g. bad and doubtful debts, unreconciled positions, underwriting and inventory commitments and margin requirements);

   (c) estimated the capital position, compared it to planned capital limits and the prior period and reported adverse trends or variances to senior management;

   (d) estimated the application to the Member of the liquidity and capital tests under the early warning calculations for Level 1 and/or Level 2 of By-law 30. In addition, at least monthly estimate the application of the profitability tests under the early warning calculations for Level 1 and/or Level 2 of By-law 30.

6. Senior Management takes prompt action to avert or remedy any projected or actual capital deficiency and reports any deficiencies, when required, immediately to the appropriate regulators. In addition, senior management promptly reports to the appropriate regulators any conditions or circumstances that are, or should be, apparent from the actions required to be performed under this Statement that could require the Member to be designated in early warning Level 1 or Level 2 in accordance with By-law 30 because of the application of the liquidity, capital or profitability tests.

7. The month-end estimate of required and risk adjusted capital is reconciled to the Monthly Financial Report submitted for regulatory filing. Material discrepancies are investigated and steps taken to preclude re-occurrence.

8. At least annually there is a documented supervisory review of the firm's management reporting system related to capital, to identify and implement changes required to reflect developments in the business or in regulatory requirements."

13.1.4 IDA - Proposed Amendments to Policy No. 2 Minimum Standards for Retail Account Supervision

INVESTMENT DEALERS ASSOCIATION OF CANADA
PROPOSED AMENDMENTS TO POLICY NO. 2 MINIMUM STANDARDS
FOR RETAIL ACCOUNT SUPERVISION

I OVERVIEW

In 1997 the Joint Industry Compliance Group[2] struck a Sub-Committee to review Policy No. 2 Minimum Standards for Account Supervision ("the Policy") in order to revise and update the Policy.

The Policy was initially implemented in 1993. It established minimum supervisory procedures for retail account activity to ensure compliance with Regulations 1300.1, 1300.2 and other know-your-client and suitability provisions of the Regulations. The Joint Industry Compliance Group felt the prescribed procedures should be reviewed in light of Members' experience with it and changes to the industry.

A CURRENT RULES

Currently, under the Policy, Members are required to review at the branch office level all accounts generating more than $1,000 in commission in a month and at the head office level all accounts generating more than $2,500 in commission in a month.

B THE ISSUE

A Joint Industry Compliance Group Sub-Committee was formed to examine the need to revise the Policy to ensure that the minimum supervision requirements currently reflected the changes and needs in the industry today.

The Sub-Committee concluded that there was a lack of clarity and a common understanding of the purpose and extent of a daily or monthly account review. It also found that in many cases the current standards result in large numbers of accounts requiring review, such that supervisory resources are strained and the thoroughness of reviews is questionable.

C EFFECT OF REVISION

The proposed amendments will clarify the standards and make them more flexible to accommodate different approaches to account supervision.

II DETAILED ANALYSIS

The minimum commission amount for branch office monthly reviews has been increased from $1,000 to $1,500 and the head office reviews from $2,500 to $3,000.

Another amendment also addresses accounts which pay set fees rather than commissions. Members offering such accounts are required to develop a procedure to determine which of these accounts require monthly review.

The most significant change is the inclusion of a mechanism for allowing a Member firm to apply for SRO approval for another form of account supervision. Commission levels alone are a poor basis for determining whether an account requires review. Their sole advantage is that they are readily available as a basis for selecting accounts and relate to the level of activity in an account.

However, other calculations or methods, may be more appropriate by focussing supervisory attention on a small number of high-risk accounts. For example, use of a commission to equity ratio would eliminate high value accounts for which the current commission level represents a miniscule consideration. Some firms are also developing methods of classifying securities so as to enable them to compare automatically clients' holdings against their recorded investment objectives.

The proposed changes also clarify that the review is intended to be a preliminary screening to identify situations that require further investigation. It is not intended that the trading in every account meeting the review criteria be thoroughly analyzed, because in many cases it is immediately apparent that there is no basis for concern about the trading activity.

A ISSUES AND ALTERNATIVES CONSIDERED

The Joint Industry Compliance Group considered a wide variety of suggestions, including replacing commission levels with some other measure as a basis for selecting accounts for review or increasing them much higher.

The Group believes that raising commission levels too high would result in inadequate supervision, while imposing an alternative would create unnecessary costs to change systems and would limit the flexibility and inventiveness which the proposed changes will permit Members to exercise – subject to review and approval by Association staff.

B COMPARISON WITH SIMILAR PROVISIONS

The National Association of Securities Dealers Inc. (NASD) does not specify particular methods of supervision of accounts. Instead, it has a general supervisory requirement in Rule 3010:

"Each member shall establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with the Rules of this Association. Final responsibility for proper supervision shall rest with the member."

Rule 3010 also requires the establishment of written procedures and branch supervision reasonably designed to ensure compliance with securities regulations, but which take into account the nature of the firm's or office's business. It does not specify particular activities.

[2] The Joint Industry Compliance Group was renamed the Compliance and Legal Section in January of 2001.

In the United Kingdom, Section 5.3.4. of the Financial Services Authority (FSA) *Conduct of Business Sourcebook* requires firms to take reasonable steps to ensure that recommendations to clients are suitable, but does not specify particular steps. It notes:

"The nature of the steps *firms* need to take will vary greatly, depending on the needs and priorities of the *private customer*, the type of *investment* or service being offered, and the nature of the relationship between the *firm* and the *private customer* and, in particular, whether the *firm* is giving a personal recommendation or acting as a discretionary *investment manager.*"

While the revised Policy 2 does contain minimum supervisory activities which must be undertaken by Members, it provides the flexibility of the NASD and FSA rules by enabling firms which choose to do so the option of designing supervisory systems appropriate to their business.

C PUBLIC INTEREST OBJECTIVE

The Association believes that the proposed amendments are in the public interest in that they encourage Members to develop better methods of identifying potential problems so that resources can be focused on review and resolution of those problems."

III COMMENTARY

A FILING IN ANOTHER JURISDICTION

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B EFFECTIVENESS

This proposed amendment is simple and effective.

C PROCESS

The proposed amendments were approved by the Executive of the Compliance and Legal Section and the Compliance and Legal Section itself. Input was received from the Retail Sales Committee and the Executive of the Regional Dealers Committee.

IV SOURCES

IDA Policy No. 2 Minimum Standards for Retail Account Supervision

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the proposed amendments so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed amendment. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of the Michelle Alexander, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Compliance, Market Operations, Ontario Securities Commission, 20 Queen Street West, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Michelle Alexander
Senior Legal and Policy Counsel
Investment Dealers Association of Canada
(416) 943 – 5885

POLICY NO. 2

MINIMUM STANDARDS FOR RETAIL ACCOUNT SUPERVISION

Introduction

This Policy establishes minimum industry standards for retail account supervision. These standards were developed by the Joint Industry Compliance Group (now the Compliance and Legal Section).

These standards represent the minimum requirements necessary to ensure that a Member has in place procedures to properly supervise retail account activity. The Policy does not:

(a) relieve Members from complying with specific SRO by-laws, rules, regulations and policies and securities legislation applicable to particular trades or accounts; or

(b) preclude Members from establishing a higher standard of supervision and in certain situations a higher standard may be necessary to ensure proper supervision.

Many of the standards in this Policy are taken from existing By-laws, Regulations and Policies of the Association and of other self-regulatory organizations. Securities legislation was generally not canvassed. To ensure that a Member has met all applicable standards, Members are required to know and comply with Association and other self-regulatory organization by-laws, rules, regulations and policies and applicable securities legislation which may apply in any given circumstance.

The following principles have been used to develop these minimum standards:

1. The term "review" in this Policy has been used to mean a preliminary screening to detect items for further investigation or an examination of unusual trading activity or both. It does not mean that every trade meeting the selection process of this Policy must be investigated. The reviewer must use reasonable judgement in selecting the items for further investigation.

2. It has been assumed that Members have or will provide the necessary resources and qualified supervisors to meet these standards.

3. The compliance with the know-your-client rule and suitability of investment requirements is primarily the responsibility of the registered representative. The supervisory standards in this Policy relating to know-your-client and suitability are intended to provide supervisors with a check-list against which to monitor the handling of these responsibilities by the registered representative.

A Member shall, for accounts where no commission is generated for trades placed by a client (such as a fee-based account where no commission is charged), develop supervisory policies for the review of such accounts at the branch and head office in lieu of the commission levels specified herein.

A Member may, with the written approval of its SRO, establish policies and procedures to carry out the supervision of client accounts pursuant to this Policy using criteria set out in, and by the persons designated by, such policies and procedures. Such policies and procedures may differ from this Policy in establishing the criteria used in selecting accounts for review and in the allocation of supervisory duties between Head Office and the Branch provided that, in the opinion of the SRO, the Member's policies and procedures are appropriate to supervise trading of its clients.

I. ESTABLISHING AND MAINTAINING PROCEDURES, DELEGATION AND EDUCATION

Introduction

Effective self-regulation begins with the Member establishing and maintaining a supervisory environment which both fosters the business objectives of the Member and maintains the self-regulatory process. To that end a Member must establish and maintain procedures which are supervised by qualified individuals. A major aspect of self-regulation is the ongoing education of staff in all areas of sales compliance.

Establishing Procedures

1. Members must appoint designated principals who have the necessary knowledge of industry regulations and Member policy to properly perform the duties.

2. Written policies must be established to document supervision requirements.

3. Written instructions must be supplied to all supervisors and alternates to advise them on what is expected of them.

4. All policies established or amended should have senior management approval.

Maintaining Procedures

5. Evidence of supervisory reviews must be maintained. Evidence of the review, such as inquiries made, replies received, actions taken, date of completion etc. must be maintained for seven years and on-site for 1 year.

6. An on-going review of sales compliance procedures and practices must be undertaken both at head office and at branch offices.

7. Closer supervision of trading by approved persons who have had a history of questionable conduct must be carried out both in the Branch and at Head Office.

Delegation

8. Tasks and procedures may be delegated but not responsibility.

9. The Member must advise supervisors of those specific functions which cannot be delegated such as approval of new accounts and accepting discretionary accounts.

10. The supervisor delegating the task must ensure that these tasks are being performed adequately and that exceptions are brought to his/her attention.

11. Those to whom tasks are delegated must have the qualifications to perform them and should be advised in writing what is expected.

Education

12. The Member's current sales practices and policies must be made available to all sales and supervisory personnel. Members should obtain and record acknowledgements from all sales and supervisory personnel that they have received, read and understood the policies and procedures relevant to their responsibilities.

13. Introductory and continuing education should be provided for all approved persons.

14. Information contained in compliance-related bulletins from the Association and other SROs and Regulatory Organizations must be communicated to all sales and other approved persons. Procedures relating to the method and timing of distribution of compliance-related bulletins must be clearly detailed in the Member's written procedures.

II. OPENING NEW ACCOUNTS

Introduction

To comply with the "Know-Your-Client" rule each Member must establish procedures to maintain accurate and complete information on each client. The first step towards compliance with this rule is completing proper documentation when opening new accounts. Accurate completion of the documentation when opening a new account allows both the registered representative and the supervisory staff to conduct the necessary review to ensure that recommendations made for any account are appropriate for the client and in keeping with his investment objectives. Maintaining accurate and current documentation will allow the registered representative and the supervisory staff to ensure that all recommendations made for any account are appropriate for the client and in keeping with the client's investment objectives.

A. Documentation

1. A New Account Application Form (NAAF) must be completed for each new account. Such forms shall be

duly completed to conform with the "Know-Your-Client" rule.

2. The new account must be approved by the branch manager or the designated director, partner or officer, in writing prior to the initial trade or promptly thereafter (next day). A NAAF must not be approved by the branch manager or the designated director, partner or officer until it is complete. 'Complete' means that all information necessary to assess suitability and creditworthiness has been obtained (and does not mean that the client must have signed the NAAF if the Member requires that the client sign the NAAF). Alternate procedures for securing interim approval will be acceptable to prevent undue delays provided the branch manager applies prompt final approval following the initial trade.

3. Where the client is an employee of another dealer, written approval by the employer to open an account must be obtained prior to the opening of such an account. Such accounts must be designated as non-client accounts.

4. A complete set of documentation must be maintained by the Member and registered representatives must maintain a copy of the NAAF.

5. The registered representative must update the NAAF where there is a material change in client information. Such update must be approved in the manner provided in paragraph (ii).

6. When there is a change of registered representative, the new registered representative must verify the information on the NAAF to ensure it is current. There should be a signed acknowledgment by the new RR and branch manager that the NAAF has been reviewed. It is acceptable to make a photocopy of the old NAAF (provided that the NAAF was approved within two years of the review) and have the registered representative and branch manager initial any changes.

7. Account numbers must not be assigned unless they are accompanied by the proper name and address of the client and such name and address must be supported by the NAAF no later than the following day.

B. Pending Documents

1. Members must have procedures in place to ensure supporting documents are received within a reasonable period of time of opening the account.

2. Incomplete NAAFs and documentation not received must be noted, filed in a pending documentation file and be reviewed on a periodic basis.

3. Failure to obtain required documentation within 25 clearing days must result in positive actions being taken. The nature of the positive action must be specified in the Member's written procedures.

C. Client Master Files

1. Entering and amending client master files must be controlled and accompanied by proper documentation.

2. All hold mail must be authorized by the client in writing and be controlled, reviewed on a regular basis and maintained by the responsible supervisor.

3. Returned mail is to be properly investigated and controlled by a person who is independent of the sales function although such person may be located within a branch.

4. For supervisory purposes, "non-client" accounts, RRSP accounts, managed accounts, discretionary accounts and restricted accounts must be readily identifiable.

III. BRANCH OFFICE ACCOUNT SUPERVISION

Introduction

Each branch manager must undertake certain activities within the branch for purposes of assessing compliance with regulatory requirements and the Member's policies. These activities should be designed to identify failures to adhere to required policy and procedure and provide a means of revealing and addressing undesirable account activity.

A. Daily Reviews

1. The branch manager (or designate) must review the previous day's trading using any convenient means. This review is undertaken to attempt to detect the following:

   - lack of suitability;
   - undue concentration of securities;
   - excessive trade activity;
   - trading in restricted securities;
   - conflict of interest between registered representative and client trading activity;
   - excessive trade transfers, trade cancellations etc. indicating possible unauthorized trading;
   - inappropriate / high risk trading strategies;
   - quality downgrading of client holdings;
   - excessive / improper crosses of securities between clients;
   - improper employee trading;
   - front running;
   - account number changes;
   - late payment;
   - outstanding margin calls;
   - violation of any internal trading restrictions.

2. In addition to transactional activity, branch managers must also keep themselves informed as to other client related matters such as:

   - client complaints;
   - cash account violations;
   - undisclosed short sales;
   - transfers of funds and securities between unrelated accounts or between pro and client accounts or deposits from pro to client accounts
   - trading under margin.

B. Monthly Reviews

1. Client and branch personnel monthly statements must be reviewed on a monthly basis and should encompass areas of concern as discussed in the daily activity review.

It is recognized that it may not be possible to review each statement produced. However, branch managers must review all monthly statements which produce gross commissions of $1,500 or more for the month.

2. All non-client accounts generating a statement must be reviewed on a monthly basis.

3. This review should be completed within 21 days of the period covered by the statement unless precluded by unusual circumstances.

IV. HEAD OFFICE ACCOUNT SUPERVISION

Introduction

A two-tier structure is required to adequately supervise client account activity. While the head office or regional area level of supervision by its nature cannot be in the same depth as branch level supervision, it should cover all the same elements.

A. Daily Reviews

1. The criteria to be used to conduct daily head office reviews are the following:

   - stock trades with a value over $5,000 and a price under $5.00 per share;
   - stock trades with value over $20,000 and a price at or over $5.00 per share;
   - bond trades over $100,000 value per trade;
   - non-client trading;
   - client accounts of producing branch managers;
   - all client accounts not reviewed by a branch manager;
   - trade cancellations;
   - trading in restricted accounts;
   - trading in suspense accounts;
   - account number changes;
   - late payment;
   - outstanding margin calls.

2. Daily reviews should be completed within a day unless precluded by unusual circumstances.

B. Monthly Reviews

1. The criteria to be used to conduct monthly head office reviews are, among other things, the following:

   - clients' statements which generated more than $3,000 commission during the month;
   - where a branch manager is unable to conduct a review, all client and non-client accounts not reviewed by such branch manager which generated more than $1,500 commission during the month. This includes the accounts of producing branch managers.

2. Concentration of securities must be reviewed.

3. For all reviews evidence should be kept of inquiries, responses and actions.

4. Monthly reviews should be completed within 21 days of the period covered by the statement unless precluded by unusual circumstances.

V. OPTION ACCOUNT SUPERVISION

Introduction

Each Member dealing in options or Exchange traded commodity or index warrants must have an approved designated registered options principal (DROP) with overall responsibility for the opening of new option accounts and the supervision of account activity to ensure that all recommendations made for any account are and continue to be appropriate for the client and in keeping with his/her investment objectives. In addition, there should be an alternate registered options principal (AROP) to assist in supervisory activities and to carry out the functions of the DROP in his/her absence. All supervisory reviews must be conducted by options qualified personnel. Any branch trading in options must have a branch manager who is options qualified.

A. Account Opening and Approval

1. The option trading agreement and option account approval form must be completed, signed and on hand prior to the first trade. This applies to new accounts or existing accounts approved for other products.

2. The option trading agreement contents must meet or exceed Association requirements.

3. All accounts must be approved in writing by the option qualified branch manager or the DROP or the AROP.

4. The option account approval form must indicate any trading restrictions imposed.

B. Daily Reviews

1. Branch offices must review all option daily trading activity for suitability, exercise limits, concentration, commission activity, and exposure of uncovered positions.

2. Head office must review on a daily basis all opening option trading activity in excess of ten contracts in any one account. In all options accounts, Head Office must monitor all trading to ensure that positions or exercise limits are not exceeded.

C. Monthly Reviews

1. Branch offices must review on a monthly basis all option activity based on the same criteria as for regular equity trading activity.

2. Head office must review on a monthly basis all option activity based on the same criteria as for regular equity trading activity.

D. DROP Responsibilities

1. All discretionary and managed accounts must be reviewed by the DROP on a daily and monthly basis.

2. The DROP must establish procedures to ensure clients are notified of impending expiry dates.

3. The DROP must establish procedures ensuring the dissemination of new developments in the trading and regulation of options contracts in a prudent and appropriate manner; and the dissemination to all clients of any changes in a firm's business policy.

4. The DROP must ensure that only registered individuals engage in trading or advising in respect of options.

5. All advertising and market letters to more than 10 clients relating to options, must be approved by the DROP.

6. Solicitation of clients to use option programmes must have DROP approval.

VI. FUTURES/FUTURES OPTIONS ACCOUNT SUPERVISION

Introduction

Each Member dealing in futures must have an approved designated registered futures principal (DRFP) with overall responsibility for the opening of new futures accounts and the supervision of account activity. In addition, there should be an alternate registered futures principal (ARFP) to assist in supervisory activities and to carry out the functions of the DRFP in his/her absence. The DRFP must ensure that only registered individuals engage in trading or advising in respect to futures and that all recommendations made for any account are and continue to be appropriate for the client and in keeping with his/her investment objectives. These minimum standards also apply to futures contract options and the designated registered futures options principal (DRFOP).

A. Account Opening and Approval

1. All accounts must be approved by a branch manager qualified as a futures contract supervisor, DRFP or ARFP prior to trading.

2. All clients must acknowledge in writing receipt of the information statement and summary disclosure statement prior to trading.

3. All clients must sign a futures contract trading agreement or letter of undertaking prior to trading.

4. Before granting approval to a client as a hedger procedures must be present for establishing acceptability of a client as a hedger including use of hedge letter or statement and verification procedures.

5. Any trading restrictions which apply to the account must be written on the new client account form.

B. Supervision

1. Daily Reviews

Members must conduct daily reviews of all futures and futures options trading activity. This review is undertaken to attempt to detect the following:

- excessive day trading resulting in trading large numbers of contracts;
- trading while under margin;
- trading futures options without approval;
- trading beyond margin or credit limits;
- cumulative losses exceeding stated risk capital (the aggregate of cumulative profits and cumulative losses);
- suitability;
- inappropriate trading strategies;
- position and exercise limits;
- front running;
- conflicts of interest;
- excessive commission activity;
- all guaranteed accounts.

2. Monthly Reviews

Members must conduct monthly reviews for futures and futures options trading activity. For example, a Member must review for:

- speculative trading in hedge accounts;
- cumulative losses exceeding stated risk capital (the aggregate of cumulative profits and cumulative losses);
- trading beyond approved limits;
- continual awareness of pending delivery months;
- acceptability of a client as hedger;
- all guaranteed accounts.

C. Discretionary Accounts

1. Futures discretionary accounts must meet all the requirements for equity discretionary accounts. In addition to the requirements for equity discretionary accounts a DRFP must conduct the following additional activities for futures and futures options.

2. Discretionary authority must be accepted in writing by DRFP.

3. DRFP must review monthly financial performance of each account.

VII. DISCRETIONARY AND MANAGED ACCOUNT SUPERVISION

Introduction

Simple discretionary accounts are accounts where the discretionary authority has not been solicited.

Managed accounts are investment portfolios solicited for discretionary management on a continuing basis where the Member has held itself out as having special skills or abilities in the management of investment portfolios.

The Member must consent to accepting discretionary accounts and have the proper documentation and supervisory procedures in place to handle such accounts. A policy under which discretionary accounts are handled must be developed by the Member and distributed to all approved persons.

A. Simple Discretionary Accounts

1. Request for discretion must be approved in writing by a partner, director or officer (note: officer approval allowed only for IDA and CDNX Members) appointed as the designated person.

2. A discretionary account agreement must be signed by the client and the Member and must include any restrictions to the trading authorizations which must be agreed to by the partner, director or officer.

3. No approved person may exercise discretionary authority over a client unless the account is maintained with the employer of the approved person.

B. Entry of Orders

1. All orders for discretionary accounts handled by registered representatives must be approved by a partner, director, branch manager or officer (if the officer is a designated person) prior to the order being entered.

2. If securities of the Member, or that of its affiliates, are publicly traded no discretionary account may hold those securities.

C. Account Supervision

1. Discretionary client account reviews must include all discretionary accounts handled by registered representatives, branch managers, partners, directors and officers.

2. Persons conducting reviews must have adequate "Know-Your-Client" information readily available for each discretionary account.

3. The Member must identify in its books and records discretionary accounts to ensure that proper supervision can occur.

4. Orders initiated for client accounts by producing branch managers and partners, directors and officers must be reviewed no later than next day by head office.

D. Termination of Agreement

Either the client or the Member may cancel the authorization for discretion provided that it is in writing, giving an effective date which allows the client to make other arrangements. The Member must give the client 30 days notice.

E. Managed Accounts

1. The Member must be approved by the Association to handle managed accounts and comply with all the requirements which are specifically detailed in the by-laws, regulations, rulings and policies of the Association. Only qualified portfolio managers may handle managed accounts.

2. The client must sign a managed account agreement.

3. Member must accept managed accounts in writing signed by a designated partner, director or officer. The authorization must indicate the client's investment objectives.

4. Member must designate in writing one of the partners, directors or officers to assume supervisory responsibility for each managed account and the client must be informed in writing of the identity of that individual or any subsequent changes thereto.

5. In a managed account the Member cannot without the written consent of the client:

   - Invest in an issuer in which the responsible person is an officer or director. No such investment may be made unless such office or directorship has been disclosed to the client;
   - Invest in a security which is being bought or sold from a responsible person's account to a managed account;
   - Make a loan to a responsible person or to an associate.

6. The Member must receive and acknowledge in writing cancellation by the client. The Member may terminate the arrangement in writing provided that it is not earlier than 30 days from the time of mailing.

VIII. CLIENT COMPLAINTS

A. Each Member must establish procedures to deal effectively with client complaints.

   1. The Member must acknowledge all written client complaints.

   2. The Member must convey the results of its investigation of a client complaint to the client in due course.

   3. Client complaints involving the sales practices of a Member, its partners, directors, officers or employees must be in writing and signed by the client and then handled by sales supervisors or compliance staff. Copies of all such written submissions must be filed with the compliance department of the Member.

   4. Each Member must ensure that registered representatives and their supervisors are made aware of all complaints filed by their clients.

B. All pending legal actions must be made known to head office.

C. Each Member must put procedures in place so that senior management is made aware of complaints of serious misconduct and of all legal actions.

D. Each Member must maintain an orderly record of complaints together with follow-up documentation for regular internal/external compliance reviews. This record must cover the past two years at least.

E. Each Member must establish procedures to ensure that breaches of the by-laws, regulations, rules and policies of the SROs as well as applicable securities legislation are subjected to appropriate internal disciplinary procedures.

F. When a Member finds complaints to be a significant factor, internal procedures and practices should be reviewed, with recommendations for changes to be submitted to the appropriate management level.

13.1.5 IDA - Proposed Policy No. 8 Reporting Requirements

INVESTMENT DEALERS ASSOCIATION OF CANADA PROPOSED POLICY NO. 8 REPORTING REQUIREMENTS

I OVERVIEW

A CURRENT RULES

The current Policy 8 requires detailed reporting by Members with respect to civil actions, settlements, criminal convictions, changes to information contained in the Uniform Application, denial of registration or approval by an SRO, and internal disciplinary actions. Civil actions and settlements are required to be reported for specific monetary thresholds and Members are not currently required to report complaints.

B THE ISSUE

As a result of the current rules, there is a "gap" in reporting requirements. The IDA and other SROs are not being made aware of all complaints and all civil claims, settlements and other resolutions as there is no such filing requirement.

It has become apparent that the reporting requirements currently contained in Policy 8 are not sufficient to provide critical information to SROs.

C OBJECTIVE

The objective of the amendments to the reporting requirements is to provide for a more comprehensive reporting system which will facilitate the regulatory oversight function of SROs and enhance investor protection.

Proposed Policy No. 8 Reporting Requirements will fill gaps in and strengthen existing reporting requirements.

D EFFECT OF PROPOSED POLICY

The proposed amendments to Policy 8 will lead to an increase in compliance costs for Members in that Policy No. 8 requires reporting of a wider range of matters.

While the IDA does review complaints during our regular Sales Compliance examinations of Members, this additional reporting will place the IDA in a better position to proactively respond to client complaints and market conditions.

Although the proposed Policy imposes some additional costs on Members, the Association is of the view that these costs are justified by the anticipated benefits.

II DETAILED ANALYSIS

A PRESENT RULES, RELEVANT HISTORY AND PROPOSED POLICY

Present Rules & Relevant History

The current Policy 8 requires reporting of settlements, civil actions, judgements and other resolutions above certain

monetary thresholds, except where the claim in any civil litigation or arbitration is based on fraud, deceit, fraudulent misrepresentation or similar conduct.

The following are the reporting requirements related to civil claims and settlements or resolutions of claims or complaints under the current Policy 8:

- securities-related civil claims where the losses claimed exceed $25,000 for a single claim, or more than one such claim filed within one year where the losses claimed cumulatively exceed $50,000.

- the Member has disposed of any securities-related claim or complaint by judgement, award, private settlement or other resolution where the compensation paid exceeds $25,000 for a single matter or has disposed of more than one such claim or complaint within one year where the compensation paid cumulatively exceeds $50,000.

- the Member has any securities-related civil claim pending relating solely to the handling of client business by a current or former partner, director, officer or registered representative of the Member where the losses claimed exceed $25,000 for a single claim, or more than one such claim filed within one year where the losses claimed cumulatively exceed $50,000.

- the Member has disposed of any securities-related claim or complaint by judgement, award, private settlement or other resolution relating solely to handling of client business a current or former partner, director, officer or registered representative of the Member, where the losses compensation paid exceeds $25,000 for a single matter or has disposed of more than one such claim or complaint within one year where the compensation paid cumulatively exceeds $50,000.

- the Member has disposed of any claim in civil litigation or arbitration which is based in whole or in part on fraud, theft, deceit, fraudulent misrepresentation or similar conduct.

- the Member has entered into any private settlement, whether or not the settlement results from a specific complaint or claim for damages, or has disposed of any claim in any securities-related civil litigation or arbitration by judgement, award or settlement where the amount of judgement, award or compensation paid exceeds $100,000.

The existing Policy 8 does not require reporting of complaints to SROs. Partners, directors, officers and registered or approved persons are required to report to the Member, within 2 business days, when he or she is the subject of a customer complaint in writing arising out of any securities related business or is aware of a customer complaint, whether in writing or any other form, with respect to the Partner, director, officer or registered representative of the Member arising out of any securities-related business involving allegations of theft, fraud, misappropriation of funds or securities, forgery or wilful misrepresentation. However, there is no corresponding requirement for Member Reporting of such complaints to SROs.

Proposed Policy

The proposed policy would require statistical and summary reporting of all "securities-related" settlements, civil claims, judgements, arbitrations, awards or other resolutions and customer complaints (except service complaints) regardless of monetary amounts. The monetary thresholds triggering reporting under the current Policy 8 would be eliminated, thereby providing a far broader and more comprehensive reporting regime.

The statistical and summary information will be provided by Members in such detail and frequency as the SRO shall prescribe. A database will be developed to receive the information from the Members and guidelines will be developed to prescribe the specifics of the reporting requirements.

B COMPARISON WITH SIMILAR PROVISIONS

The New York Stock Exchange Rule 351 "Reporting Requirements" (the "Rule") and the NASD Rules of Fair Practice Section 50 were reviewed.

The NYSE Rule 351 and the NASD Section 50 require reporting whenever such Member or person associated with the Member:

- is the subject of any written customer complaint involving allegations of theft or misappropriation of funds or securities or of forgery.

- is a defendant or respondent in any securities or commodities related civil litigation or arbitration which has been disposed of by judgement, award or settlement for an amount exceeding $15,000. However when the member is the defendant or respondent, then the reporting to the Association shall be required only when such judgment, award of settlement is for an amount exceeding $25,000.

- is the subject of any claim for damages by a customer, broker, or dealer which is settled for an amount exceeding $15,000. However, when the claim for damages is against a member , then the reporting to the Association shall be required only when such claim is settled for an amount exceeding $25,000.

The NYSE Rule 351 and NASD Section 50 also require reporting of:

- statistical and summary information regarding customer complaints in such detail as the Association shall specify.

The proposed amendments to Policy 8 go beyond the NYSE and NASD Rules as the proposed amendments require reporting of all securities-related civil claims, judgements, awards, private settlements, arbitrations, other resolutions and all customer complaints (except service complaints). The proposed amendments eliminate the monetary reporting thresholds of the existing Policy 8 which was modeled after the NYSE and NASD Rules.

C PUBLIC INTEREST OBJECTIVE

The Association believes that the proposed Policy is in the public interest in that it protects the investing public by providing for a comprehensive standardized industry practice with respect to reporting requirements. The reporting regime envisioned by the amendments will provide SROs with the tool to ensure compliance with and enforcement of securities rules and standards.

The proposed Policy will serve to promote higher standards of business conduct and ethics.

III COMMENTARY

A FILING IN OTHER JURISDICTIONS

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

The original Policy 8 was approved by the Ontario Securities Commission and the Alberta Securities Commission. Approval was not yet received from the British Columbia Securities Commission and the Saskatchewan Securities Commission.

Policy 8 has not yet been implemented.

B EFFECTIVENESS

The broad information base created by the reporting requirements under the proposed amendments to the Policy will provide a more complete background for evaluating registrants and improve SRO decision-making with respect to registration. The information will assist regulators in identifying areas of possible compliance weaknesses for review and correction and assist in identifying areas where enforcement is required.

The proposed reporting requirements will make more information available, at an earlier date, to SROs.

C PROCESS

This proposed Policy was developed by IDA Staff. The proposed Policy was approved by the IDA Board of Directors.

IV SOURCES

NYSE Rule 351 Reporting Requirements.
NASD Rules of Fair Practice – Section 50.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying Policy so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed Policy would be in the public interest. Comments are sought on the proposed Policy. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of the Association Secretary, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager, Document Management, Market Operations, Ontario Securities Commission, 20 Queen Street West, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Belle Kaura
Enforcement Policy Counsel
Enforcement Division
Investment Dealers Association of Canada
(416) 943-5878
bkaura@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA AMENDMENTS TO POLICY 8 – REPORTING REQUIREMENTS

THE BOARD OF DIRECTORS of the Investment Dealers Association hereby makes the following amendments to the By-laws, Regulations, forms and Policies of the Association:

1. Policy 8 is amended by inserting the definition of "customer complaints" into the Definitions section as follows:

   "customer complaint" means any written grievance by a customer involving the Member, a partner, director, officer or registered or approved person of a Member.

2. Policy 8 is amended by inserting the definition of "service complaints" into the Definitions section as follows:

   "service complaints" means any complaint by a client which is founded on customer-service issues and is not the subject of IDA rules or standards.

3. Policy 8 is amended by inserting the definition of "civil claim" into the Definitions section as follows:

   "civil claim" includes civil claims pending in any proceedings before a court or other tribunal in any province, territory, state or country."

4. Policy 8 is amended by repealing the definition of "securities-related" and replacing it with the following:

   "securities-related" means any matter related to securities, commodities or commodity future contracts and any matter related to handling of client accounts and dealings with clients.

5. Policy 8 Section A 1(b)(i) is amended by deleting the following words:

   "regulating trading in securities";

   and by adding the following words immediately preceding the word "legislation::

   "securities or commodity futures".

6. Policy 8 Section C 1(a) is amended by deleting the word "representative" and replacing it with the following words:

   "or approved person".

7. Policy 8 Section C 1(c) is amended by deleting the word "representative" and replacing it with the following words:

   "or approved person."

8. Policy 8 Section C 1(d) is deleted.

9. Policy 8 Section C 1(e) is deleted.

10. Policy 8 Section C 1(f) is deleted.

11. Policy 8 Section C 1(g) is deleted.

12. Policy 8 Section C 1(h) is re-numbered as Policy Section C 1(d) and the word "representative" is deleted and replaced by the following words:

    "or approved persons."

13. Policy 8 Section C 2 (c) is deleted.

14. Policy 8 Section C 2 (d) is deleted.

15. Policy 8 Section C 2(e) is re-numbered as Section C 2(c).

16. Policy 8 Section C 3 is re-numbered as Section C 4 and is amended by deleting the following references:

    1(f), 1(h), 2(d), and 2(e);

    and by including a reference to 2(c).

17. Policy 8 Section C 4 is inserted and reads as follows:

    4. Each Member shall report to its designated SRO, statistical and summary information regarding:

       (a) all customer complaints, except service complaints, against the Member and each partner, director, officer or registered or approved person of the Member;

       (b) all securities-related civil claims and arbitration notices against the Member, a current or former partner, director, officer or registered or approved person of the Member.

       (c) All judgements, awards, private settlements, arbitrations or other resolutions of any securities-related claim or complaint against the Member, a current or former partner, director, officer or registered or approved person of the Member.

       The statistical and summary information shall be provided by the Member in such detail and frequency as the designates SRO shall prescribe.

18. Policy 8 Section E has been added as follows:

    E. Failure to Comply with Reporting Requirements

    Where the designated SRO is the Association it shall have the power to impose a prescribed administrative fee for failure to comply with any of the reporting requirements set out in this policy. The Investment Dealers Association may also impose any other penalties pursuant to By-law 20.11.

PASSED AND ENACTED BY THE Board of Directors this 19th day of June 2001, to be effective on a date to be determined by Association staff.

13.1.6 IDA - Amendments to By-Law 22 Use of IDA Logo

INVESTMENT DEALERS ASSOCIATION OF CANADA AMENDMENTS TO BY-LAW 22 REGARDING THE USE OF IDA LOGO

I OVERVIEW

A CURRENT RULES

Currently, By-law 22 and Regulation 700 sets out the criteria for IDA Members' use of the name of the Association as may be authorized by the Board of Directors.

B THE ISSUE

The IDA does not currently have an official policy on the use of the IDA logo by Members. It appears necessary to clarify under what circumstances (i.e. Member's website, etc.) the logo may be used. Previously, the IDA has given Members the logo in electronic form on several occasions and always told them that they can use the logo solely in accompaniment with the words "Member of the IDA". By-law 22 and Regulation 700 should be amended to address this issue.

C OBJECTIVE

The Association believes that implementing the proposed changes will clarify under what circumstances the IDA logo may be used by IDA Members.

II DETAILED ANALYSIS

The proposed amendments outlined below are the result of the recommendations outlined by the IDA. One conclusion that was reached was that a policy is required to instruct Members on the use of the IDA logo.

By-law 22 is being amended to add the words "or logo" to the tile and the words are also added to By-law 22.1. It was also concluded that the Board of Directors should be able to determine terms or conditions regarding a Member's use of the logo of the Association.

Regulation 700.1 is being amended by adding the words "or the logo." It is also recommended that a Member shall send a request to the Association and the Member shall provide samples of letterhead, circulars, or other promotional materials used by the Member bearing the Association's name or logo.

A ISSUES AND ALTERNATIVES CONSIDERED

No alternatives were considered.

B PUBLIC INTEREST OBJECTIVE

The Association believes that the proposed amendments are in the public interest.

III COMMENTARY

A FILING IN OTHER JURISDICTIONS

The proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B EFFECTIVENESS

These proposed amendments are simple and effective.

C PROCESS

The proposed amendments were approved by the Executive Committee.

IV SOURCES

IDA By-law 22
IDA Regulation 700

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying Policy so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed Policy would be in the public interest. Comments are sought on the proposed Policy. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Keith Rose, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Compliance, Ontario Securities Commission, 20 Queen Street West, Suite 800, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Keith Rose,
Vice President, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-6907
krose@ida.ca

BY-LAW NO. 22

USE OF NAME OR LOGO: LIABILITIES: CLAIMS

22.1. No Member shall use the name or logo of the Association on letterheads or in any circulars or other advertising or publicity matter, except to the extent and in such form as may be authorized by the Board of Directors. The Board of Directors may determine terms or conditions regarding a Member's use of the name or logo of the Association. The Board of Directors may at its sole discretion require a Member to cease using the name or logo of the Association. Any use by a Member of the name or logo of the Association name shall not have the effect of

granting to the Member any proprietary interest in the Association's name or logo.

22.2. No liability shall be incurred in the name of the Association by any Member, officer or committee without the authority of the Board of Directors.

22.3. Whenever the Membership of a Member ceases for any reason whatsoever, neither the former Member nor its heirs, executors, administrators, successors, assigns or other legal representatives, shall have any interest in or claim on or against the funds and property of the Association.

Draft: July 3, 2001

INVESTMENT DEALERS ASSOCIATION OF CANADA

REGULATION 700

USE OF NAME OR LOGO OF THE ASSOCIATION

700.1 Unless the Board of Directors in any particular case is of the opinion that the use of the name or the logo of the Association is detrimental to the interests of the Association or its Members, the name of the Association, or the logo of the Association together with the name as provided below, may be used by Members on letterheads, circulars advertising and other publicity matter, except in the case of circulars, advertising and publicity matter (not being signed letters), mailed, delivered, published, or otherwise used for the purpose of giving publicity to any specific new issue of securities, other than securities authorized for investment by trustees in any province. Members may also use the name of the Association, or the logo of the Association with the name as provided below, on their office doors and windows, provided that the name of the Association, when so used shall appear in smaller type than the name of the Member and the reference to the name of the Association and Membership therein shall be (in singular or plural form) in one or other of the following forms:

Member(s) of the Investment Dealers Association of Canada

and/or

Membre(s) de l'Association canadienne des courtiers en valeurs mobilières

or

Member(s) of the Investment Dealers Association of Canada - Association canadienne des courtiers en valeurs mobilières

or

Membre(s) de l'Association canadienne des courtiers en valeurs mobilières - Investment Dealers Association of Canada

The logo of the Association in the form below may only be used together with the name of the Association in any of the formats above, provided that the size of the logo shall be such as to give reasonably equal prominence to each of the name and the logo.

[Logo]

Upon receiving a request from the Association, a Member shall provide to the Association, samples of any letterhead, circulars, or other promotional materials used by that Member bearing the Association's name or logo. Should a Member fail to comply with a request by the Association, should a Member be found by the Association not to be using the Association's name or logo as required by the Association's by-laws or rules, or should a Member no longer be a member of the Association or be subject to any discipline by the Association, the Association may direct the Member to cease using the name or logo of the Association and the Member shall deliver up to the Association all materials bearing the Association's name and logo.

13.1.7 IDA - Proposed Methodology for Margining Equity Securities

INVESTMENT DEALERS ASSOCIATION OF CANADA PROPOSED METHODOLOGY FOR MARGINING EQUITY SECURITIES

I OVERVIEW

A INTRODUCTION

When a margin rate for a security is established, it is intended that it is sufficient to cover the risk of loss associated with the security, specifically market risk. The existing methodology for determining an equity security's margin rate is based on its market price per share. Recent studies by Association staff and others, indicate that market price per share is not an accurate indicator of an equity security's market risk.

The Financial Administrators Section, through the work of the FAS Capital Formula Subcommittee, has developed an improved margin rate methodology that tracks an individual security's market risk and sets a margin rate for the security based on the measured risk. This proposed methodology determines market risk by measuring both the price risk and liquidity risk components of market risk.

B THE ISSUE

As mentioned above, the existing methodology is not an accurate indicator of a security's market risk. While determining margin rates on this existing basis may be operationally easy to apply, its use has resulted in margin deposits and "strategy based" margin rules that do not reflect the true economic risk of positions in and offsets involving equity securities.

To address these issues, the FAS Capital Formula Subcommittee reviewed various methodologies with the requirements that the methodology selected would have to accurately track an individual security's market risk by measuring both price risk and liquidity risk, and be reasonably simple to implement both from an operational and investor education standpoint. The methodology selected and referred to, as the "basic margin rate" methodology is essentially a methodology for determining a customized margin rate for each security.

The proposed new "basic margin rate" methodology would replace the existing market price per share based rates as the standard margin rate methodology for equity securities to be used by all Members and their customers for all Canadian and U.S. listed securities.

C OBJECTIVE

The objective of the proposed "basic margin rate" methodology is to determine an overall margin rate for each equity security that will more accurately address its market risk. The proposed methodology will replace the existing market price per share based methodology.

The proposed methodology will determine the appropriate margin rate based on the two components of an individual security's market risk: (i) price risk and (ii) liquidity risk.

D EFFECT OF PROPOSED RULES

During the development of this proposal efforts have been made to address the operational concerns that have been raised with respect to implementing this type of methodology. By addressing these concerns it is intended that the effect of adopting these proposals would be limited to only the effect of any resultant changes in margin rates.

One of the ways operational concerns have been taken into consideration is the planned approach for calculating margin rates under this new methodology. The proposal recommends that the calculation of margin rates under this methodology be automated and centralized and that the results be subject to regular Association staff review. The use of a service bureau to perform the calculations is being contemplated. Once calculated, the rates would be available electronically to all Members in a download form such that little or no modifications would be required to be made to margining systems to use this new methodology.

In terms of specific effects of using margin rates under this proposed methodology, the effect may or may not be significant but this will not be known for sure without the performance of extensive industry testing. This testing will need to be performed to determine whether the pros of this proposal outweigh the cons. The main pro of this proposal is that it is a margining methodology that more accurately tracks the risk of market loss. The main con of this proposal is that it is more complex and, as a result, may be difficult to implement from an operational and investor education standpoint.

As stated previously, the true effect of these proposed rules will not be known for sure without extensive industry testing. However, there is some anecdotal information to suggest that the operational impact may not be that onerous. This is because a form of the proposed margin rate methodology has been used to produce the quarterly List of Securities Eligible for Reduced Margin since the list produced as at June 30, 2000. Experience to date has been that the methodology is performing well with this select group of securities. The only concerns received to date from Members is that the list should be prepared on a more timely basis after each quarter end[3] and that they be notified in advance of any securities with margin rate increases[4]. We've received relatively few complaints from the investing public.

Also, as part of the development of this proposal, specific testing was conducted in an effort to estimate the impact of this proposal. Margin rates were calculated for securities listed on the Toronto Stock Exchange ("TSE") and the Canadian

---

3 Currently it takes Association staff about five weeks to prepare this list as the current process for preparing the list is largely a manual process.

4 This concern has already been addressed to some extent as it is current practice to inform Members ten business days in advance of any margin rate increases resulting from the publication of the quarterly List of Securities Eligible for Reduced Margin.

Venture Exchange ("CDNX") using the proposed methodology for nine-quarter ends and four-quarter ends respectively. These calculated rates were then compared to the current market price per share based rates. On average[5], the margin rates calculated under the proposed methodology were lower for TSE listed securities but higher for CDNX securities. The following is a summary of the testing work performed:

	Average Margin Rate under Current Rules	Average Margin Rate under Proposed Methodology
TSE		
Firm	27.86%	20.91%
Client	31.84%	26.81%
CDNX		
Firm	69.18%	77.05%
Client	69.19%	77.16%

For further details on the results of this test work please refer to Enclosures #1 and #2 [these pages are excerpts from the Equity Margin Project Discussion Paper dated May 16, 2001[6]] for a summary of the test work performed on the TSE and the CDNX listed securities.

So, to date, while we have some indication of the likely effect of this proposal[7], the true effects of this proposal will only be known when detailed impact testing on Member firms and their client accounts is performed. As a result, we are asking for the approval of the securities commissions of the concepts set out in this proposal prior to performing what will be extensive and time consuming industry impact testing. This will help to limit the amount of industry impact testing performed as well as help ensure that the objectives of this proposed methodology for margining equity securities are achieved.

II DETAILED ANALYSIS

A PRESENT RULES AND RELEVANT HISTORY

The existing margin requirements for equity securities are set out in Regulation 100 of the Association Rule Book. These requirements specify that the margin rates for equity securities be based on the market price per share of the security being margined. Further, in the case of related equity derivative instruments, that the margin requirements be based on the requirements for the underlying equity security. In the case of offsets involving equity securities, the current rules also set out a series of "strategy based" offset rules that are available to both a Member firm and its customers. These offset rules allow for a lowering of the margin requirement associated with two or more positions related to the same underlying security where the positions in combination represent a lower market risk.

B ISSUES, ALTERNATIVES CONSIDERED

The main concern with the current "market price per share" approach to margining equity securities is that there is no evidence that market price per share is an accurate indicator of a security's market risk. It is believed that the relative inaccuracy of the current approach was also recognized when the current requirements were originally implemented. This is because the current margin requirement methodology generally results in the use of conservative margin rates, even in today's volatile markets, in relation to the market risk associated with the equity securities.

Another relatively minor concern with the current rules is the related "strategy based" rules for offsets involving equity securities. These rules need to be updated to more closely track the market risk associated with the offsets as well as address some of the other inaccuracies in the rules. To a large extent, the proposed "basic margin rate" methodology will address these needs.

The main objective of the "basic margin rate" methodology is to replace the existing margin rate methodology with a methodology that more accurately tracks market risk. In order to develop a replacement methodology, the FAS Capital Formula Subcommittee reviewed various methodologies with the requirements that: (i) the methodology selected would have to accurately track an individual security's market risk by measuring both price risk and liquidity risk[8]; and (ii) the methodology selected would have to be reasonably simple to implement both from an operational and investor education standpoint. The methodology selected and referred to, as the "basic margin rate" methodology is essentially a methodology for determining a customized margin rate for each equity security.

---

5 To determine an average margin rate for Toronto Stock Exchange and Canadian Venture Exchange listed securities, individual security margin rates were weighted by the three-month traded value for each individual security.

6 To detail the significant development work performed by the FAS Capital Formula Subcommittee with respect to this margin rate proposal, the Equity Margin Project Discussion Paper was drafted. The paper is in excess of 60 pages in length and provides a detailed discussion of the methodology proposed (including calculation mechanics), the test work performed, the results of the test work and the proposed implementation approach. The most recent draft of this paper is Draft #11 dated May 16, 2001. This draft was circulated to members the Financial Administrators for review prior to their approval of the proposals.

7 Through experience to date with the List of Securities Eligible for Reduced Margin and from the results of the market wide testing performed, as discussed previously.

8 Since the main components of market risk are price risk and liquidity risk, and margin requirements should be designed to cover market risk, no other approaches were seriously considered.

C COMPARISON WITH SIMILAR PROVISIONS

RULES IN OTHER JURISDICTIONS - UNITED STATES AND UNITED KINGDOM

Neither the United States nor the United Kingdom have similar regulatory margin rules to those being proposed. Both jurisdictions employ a version of a market price per share based margin requirement as their basic margining methodology. In the United Kingdom, a more sophisticated methodology, referred to as the Position Risk Requirement ("PRR"), may be used in certain circumstances. This PRR methodology allows for the reduction in the margin otherwise required for a basket of securities if a sufficient level of diversification across industries can be demonstrated.

However, methodologies similar to that being proposed are in widespread use by derivatives clearing houses around the world. In fact, the two major methodologies in use by clearinghouses, TIMS and SPAN, employ a similar margin interval approach to determining a price risk margin requirement. The following is a summary of the assumptions used by some well known derivative clearing houses along with those included in the IDA's proposed "basic margin rate" methodology:

Organization	Required Statistical Confidence Level[1]	Required Number of Days Price Risk Coverage
CDCC	3	2
OCC	5	1
LCH	3	1 or 2
CME	2 to 3	1
IDA	3	2, 3, 4 or more

What distinguishes the assumptions in the IDA's proposed methodology from those of the clearinghouses is the assumption relating to the number of days of price risk coverage. There are two reasons for this difference:

1. Clearinghouses ask for clearing fund deposits to cover the risk they assume by guaranteeing the settlement of all transactions they clear. Although similar, this is not the same risk that regulatory margin rates are designed to cover. Regulatory margin rates are designed to cover price risk over the period of time it would take to close out a security position.

2. The clearinghouses referred to in the above table are derivatives clearing houses. Exchange traded derivatives are generally only listed on the most liquid securities. As a result, the number of days price risk coverage required is lower.

D PROPOSED MARGIN APPROACH

To measure both price risk and liquidity risk and arrive at a customized margin rate for each security, the FAS Capital Formula Subcommittee developed a methodology whereby:

(i) the price risk component of market risk is determined for each individual security based on historic price volatility measures;

(ii) the liquidity risk component of market risk is determined for each individual security based on average traded volumes and public float values; and

(iii) a custom margin rate is determined for each individual security by adding together the price risk and liquidity risk components calculated in (i) and (ii) above.

DETAILS OF PRICE RISK CALCULATION

It is proposed that price risk will be estimated using historical price volatility measures and will be calculated using the simplifying assumption that prices are normally distributed. The security's price volatility will be calculated for 20, 90 and 260 trading day periods and the greatest of these three calculations will be used as an estimate of the current price volatility. A margin interval will be calculated for the security based on the price volatility calculated and the number of days of price risk coverage required. The number of days coverage is dependent on the relative liquidity of the security. Rather than publish the exact calculated margin interval as the margin rate to be used for each security, margin rate categories will be used. There will be eight categories (15%, 20%, 25%, 30%, 40%, 60%, 75% and 100%) for Member firm long positions and six[9] categories (25%, 30%, 40%, 60%, 75% and 100%) for customer long positions. An additional 150% margin rate category is proposed for Member firm and customer short positions.

DETAILS OF LIQUIDITY RISK CALCULATION

It is proposed that an individual security's liquidity risk will be determined by its average daily traded volume and dollar value of public float. Liquidity risk is important because any margin rate set must be sufficient to cover price risk over the period of time it might take to liquidate a security position. The proposal sets out four liquidity levels that will in turn be used to determine liquidity risk: "higher than typical", "typical", "lower than typical" and "low". A security whose liquidity is determined to be "Higher than typical" will require fewer days coverage than the normal and, as a result, a price risk margin interval will be calculated to yield either two or three business days price risk coverage. For a security whose liquidity is determined to be "typical", a price risk margin interval will be calculated to yield four business days price risk coverage. A security whose liquidity is determined to be "Lower than typical" will result in either a specific liquidity being added in the determination of the overall margin rate or the overall margin rate being set at 75% for that security. Finally, a security whose liquidity is determined to be "low" will generally[10] attract a 100% margin rate.

---

[9] A seventh category, a 20% margin rate category, may be used for client security positions where measured price volatility is sufficiently low and an exchange traded single stock futures contract trades on the security.

[10] Where a security has "low" measured liquidity but a public float in excess of $5 million a minimum margin rate for long positions of 75% is proposed.

GENERAL ASSUMPTIONS INCLUDED IN THE PROPOSAL

The proposal also includes some general assumptions that will be used in the determination of a security's margin rate under the "basic margin rate" methodology as follows:

- The minimum margin rate for long positions has been set at 15% for Member firm positions and 20% for customer positions where an individual equity's futures contract has been listed by an exchange, otherwise 25%;
- The maximum margin rate for long positions has been set at 100% unless the security has a public float more than $5 million, then the maximum rate is 75%;
- The maximum margin rate has been set at 150% for short positions;
- Daily price change percentages to be used in the determination of price risk are assumed to be normally distributed;
- The Canadian equity markets are assumed to be sufficiently liquid to accurately measure price risk;
- Preferred and senior shares are to be margined at a rate no higher than that calculated for related junior issues on the assumption that they exhibit, at worst, no higher market risk; and
- The existing "strategy based" offset rules for equities and equity related derivatives will be retained.

E PUBLIC INTEREST OBJECTIVE

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change, "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effect of the proposals with respect to the proposed methodology for margining equity securities. The purpose of this proposal is to establish a methodology for the margining of equity securities that will that will accurately track each security's market risk. Consequently, the proposed amendments are considered to be in the public interest.

III COMMENTARY

A FILING IN OTHER JURISDICTIONS

These proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario and will be filed for information in Nova Scotia.

B EFFECTIVENESS

As stated above, the objective of the proposed "basic margin rate" methodology is to determine an overall margin rate for each equity security that will more accurately address a security's market risk than the existing market price per share based methodology. The proposed methodology seeks to measure market risk on a security specific basis by separately measuring price and liquidity risk and then combining these measured risks into a custom margin rate for each security. It is believed this approach, setting margin rates based on a security's market risk, will be effective.
However, the true effectiveness of this proposal will only be known once detailed Member firm[11] impact testing has been performed. As a result, we are seeking approval of this proposal in principle prior to the performance of what will be a time consuming exercise.

C PROCESS

This proposal was developed by the FAS Capital Formula Subcommittee. This proposal has also been reviewed and recommended for approval by the FAS Capital Formula Subcommittee and the Executive Committee of the Financial Administrators Section.

IV SOURCES

IDA Regulation 100
Equity Margin Project Discussion Paper, Draft #11, dated May 16, 2001

New York Stock Exchange and Securities Exchange Commission Uniform Net Capital Rule 15c3-1

United Kingdom Securities and Futures Authority, Rule 10-70 through 10-90, Financial Resources Requirement, Position Risk Requirement and Equity Method

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment this proposal so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of this proposal would be in the public interest. Comments are sought on this proposal. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Richard Corner, Director, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Compliance, Capital Markets, Ontario Securities Commission, 20 Queen Street West, Suite 800, Toronto, Ontario, M5H 3S8.

More detailed analysis of this proposal is set out on the concept paper. A copy of this concept paper can be obtained from Richard Corner at the IDA.

Questions may be referred to any one of:

Richard Corner,
Director, Regulatory Policy,
Investment Dealers Association of Canada

[11] Testing is to be performed to determine the impact of these proposals on the margining of both Member firm inventory positions and customer account positions.

(416) 943-6908
rcorner@ida.ca

Answerd Ramcharan,
Information Analyst, Regulatory Policy,
Investment Dealers Association of Canada
(416) 943-5850
aramcharan@ida.ca

Jane Tan,
Information Analyst, Regulatory Policy,
Investment Dealers Association of Canada
(416) 943-6979
jtan@ida.ca

Enclosure #1

Draft #11 37026

Appendix D - Test Work Details - Current vs. Proposed Comparison - TSE Securities

Summary of Overall Margin Rates* weighted by traded value:

Firm positions:

#	Quarters	Current "Market Price per Share" Methodology	Proposed "Basic Margin Rate" Methodology	Absolute Change Increase (Decrease)
1	1999-03	28.15%	17.56%	(10.59%)
2	1999-06	28.54%	21.90%	(6.64%)
3	1999-09	28.86%	18.29%	(10.58%)
4	1999-12	28.22%	18.86%	(9.36%)
5	2000-03	29.05%	22.47%	(6.59%)
6	2000-06	27.56%	21.38%	(6.19%)
7	2000-09	27.23%	20.69%	(6.55%)
8	2000-12	26.85%	23.37%	(3.48%)
9	2001-03	26.29%	23.65%	(2.64%)
Average		27.86%	20.91%	(6.96%)

Client positions:

#	Quarters	Current "Market Price per Share" Methodology	Proposed "Basic Margin Rate" Methodology	Absolute Change Increase (Decrease)
1	1999-03	32.57%	26.55%	(6.02%)
2	1999-06	32.89%	28.52%	(4.37%)
3	1999-09	33.14%	26.70%	(6.44%)
4	1999-12	28.22%	18.86%	(9.36%)
5	2000-03	33.29%	29.53%	(3.76%)
6	2000-06	32.07%	27.30%	(4.78%)
7	2000-09	31.82%	26.67%	(5.15%)
8	2000-12	31.49%	27.77%	(3.72%)
9	2001-03	31.07%	29.43%	(1.64%)
Average		31.84%	26.81%	(5.03%)

* Appendix margin rates and calculations do not reflect the recent amendment to the maximum overall margin rate for long positions; specifically, the addition of the 75% maximum margin rate for listed securities with a public float in excess of $5 million. It is estimated that the impact of this change on the above rates is immaterial.

Enclosure #2

Draft #11 37026

Appendix E - Test Work Details - Current vs. Proposed Comparison - CDNX Securities

Summary of Overall Margin Rates* weighted by traded value:

Firm positions:

#	Quarters	Current "Market Price per Share" Methodology	Proposed "Basic Margin Rate" Methodology	Absolute Change Increase (Decrease)
1	1999-06	69.78%	76.99%	7.21%
2	1999-09	75.08%	74.50%	(0.58%)
3	1999-12	59.53%	59.85%	0.31%
4	2000-03	63.65%	80.26%	16.62%
Average		67.01%	72.90%	5.89%

Client positions:

#	Quarters	Current "Market Price per Share" Methodology	Proposed "Basic Margin Rate" Methodology	Absolute Change Increase (Decrease)
1	1999-06	69.78%	77.10%	7.32%
2	1999-09	75.08%	74.74%	(0.34%)
3	1999-12	59.53%	59.99%	0.45%
4	2000-03	63.65%	80.26%	16.61%
Average		67.01%	73.02%	6.01%

* Appendix margin rates and calculations do not reflect the recent amendment to the maximum overall margin rate for long positions; specifically, the addition of the 75% maximum margin rate for listed securities with a public float in excess of $5 million. It is estimated that the impact of this change on the above rates is immaterial.

This Page Intentionally left blank

Chapter 25

Other Information

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

This Page Intentionally left blank

Index