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

January 25, 2002

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 I. Wetston, Q.C., Vice-Chair	—	HIW
Kerry D. Adams, FCA	—	KDA
Derek Brown	—	DB
Robert W. Davis, FCA	—	RWD
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 M. Kennedy in attendance for staff Panel: TBA
January 8,10,11, 22,25, 31/02 9:30 a.m. February 1, 5, 7 & 8/02 9:30 a.m. March 5,7, 8, 19,21,22,28, 29/02 9:30 a.m. April 2,4,5,11,12/02 9:30 a.m. January 15 & 29/02 2:00 p.m. February 12/ 02 2:00 p.m. March 12 & 26/02 2:00 p.m. April 9/02 2:00 p.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
January 24, 2002 10:00 a.m.	Yorkton Securities Inc., Gordon Scott Paterson, Piergiorgio Donnini, Roger Arnold Dent, Nelson Charles Smith and Alkarim Jivraj **(Piergiorgio Donnini)** s. 127(1) and s. 127.1 J. Superina in attendance for Staff Panel: TBA

January 30, 2002 9:30 a.m.	**Michael Goselin, Irvine Dyck, Donald McCrory, Roger Chiasson** s.127 T. Pratt in attendance for staff Panel: TBA
January 30, 2002 11:00 a.m.	**Taylor Shambleau** s. 8(4) Y. Chisholm in attendance for staff Panel: TBA
January 31, 2002 9:00 a.m.	**Brian K. Costello** s. 127(1) and 127.1 H. Corbett in attendance for staff Panel: HIW
February 4, 13, 14, 15, 28, 2002 9:30 a.m.	**Arlington Securities Inc. and Samuel Arthur Brian Milne** J. Superina in attendance for Staff s. 127 Panel: PMM
February 15, 2002 9:30 a.m.	**Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein and Robert Topol** J. Superina in attendance for Staff s. 127 Panel: TBA
February 27, 2002 10:00 a.m.	**Rampart Securities Inc.** T. Pratt in attendance for Staff s. 127 Panel: PMM
April 15 - 19, 2002 9:00 a.m.	**Sohan Singh Koonar** s. 127 J. Superina in attendance for Staff Panel: PMM
May 1, 2 & 3, 2002 10:00 a.m.	**James Frederick Pincock** s. 127 J. Superina in attendance for Staff Panel: TBA
May 6, 2002 10:00 a.m.	**Teodosio Vincent Pangia, Agostino Capista and Dallas/North Group Inc.** S. 127 Y. Chisholm 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

Ricardo Molinari, Ashley Cooper, Thomas Stevenson, Marshall Sone, Fred Elliott, Elliott Management Inc. and Amber Coast Resort Corporation

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

PROVINCIAL COURT PROCEEDINGS

May 27 - July 5, 2002	**Michael Cowpland and M.C.J.C. Holdings Inc.** s. 122 M. Kennedy and M.Britton in attendance for staff. 161 Elgin Street, Ottawa

1.1.2 Amendment to IDA By-Law No. *3, Entrance, Annual and Other Fees* - Notice of Commission Approval

AMENDMENT TO IDA BY-LAW NO. 3, *ENTRANCE, ANNUAL AND OTHER FEES*

NOTICE OF COMMISSION APPROVAL

Amendments to IDA By-Law 3 regarding Entrance, Annual and Other Fees has been approved by the Ontario Securities Commission. In addition, the Saskatchewan Securities Commission approved, the Alberta Securities Commission did not disapprove and the British Columbia Securities Commission did not object to these amendments. These amendments are effective immediately. The amendments increase the IDA entrance fee to $25,000 and increase the minimum fee to $25,000 per year, subject to an exception. A copy and description of the amendments is published in Chapter 13 of this Bulletin.

1.1.3 Amendment to IDA Policy No. 2, Minimum Standards for Retail Account Supervision – Notice of Commission Approval

AMENDMENT TO IDA POLICY No. 2
MINIMUM STANDARDS FOR RETAIL ACCOUNT SUPERVISION

NOTICE OF COMMISSION APPROVAL

The amendments to IDA Policy No. 2 regarding minimum standards for retail account supervision has been approved by the Ontario Securities Commision. In addition, the Saskatchewan Securities Commission approved and the Alberta Securities Commission as well as the British Columbia Securities Commission did not object to these amendments. These amendments became effective on January 17, 2002. The amendments make three changes to IDA Policy No. 2:

- The minimum commission amounts which would trigger the requirement for monthly account reviews would be increased from $1,000 to $1,500 for branch office accounts and from $2,500 to $3,000 for head office accounts;

- For accounts which pay set fees rather than commissions, members would be required to develop procedures to determine which of these accounts require monthly review; and,

- A mechanism would be included which will allow a member firm to apply for SRO approval for another form of account supervision.

A copy and description of the amendments was published for comment on July 27, 2001 at (2001) 24OSCB 4662. No comments were received.

1.1.4 Amendment to National Policy 43-201 Mutual Reliance Review System for Prospectuses and AIFs

AMENDMENT TO NATIONAL POLICY 43-201

MUTUAL RELIANCE REVIEW SYSTEM FOR PROSPECTUSES AND ANNUAL INFORMATION FORMS

The Commission, together with the other members of the Canadian Securities Administrators ("CSA"), has amended National Policy 43-201 Mutual Reliance Review System for Prospectuses and Annual Information Forms. **The amendments to the National Policy will come into force on January 25, 2002.**

The full Notice of Amendment and NP 43-201 are published in Chapter 5 of this Bulletin.

1.2 News Releases

1.2.1 Securities Commissions Report Top Investor Complaints - CSA

For Immediate Release
January 21, 2002

CANADIAN SECURITIES ADMINISTRATORS

SECURITIES COMMISSIONS REPORT TOP INVESTOR COMPLAINTS

Toronto -- Investor complaints continue to flow into securities regulators across Canada, most often stemming from a relationship breakdown between a financial adviser and an investor. However, unscrupulous behavior also continues to arise in the marketplace.

"Securities regulators strive to protect investors through the administration and enforcement of securities laws in each jurisdiction across Canada," said Doug Hyndman, Chair of the Canadian Securities Administrators (CSA), the umbrella organization representing the 13 provincial and territorial securities commissions.

"But investors need to help protect themselves by doing their homework and being proactive in building a good relationship with their investment adviser."

The CSA list of top five complaints and how to avoid them:

1. **Suitability** - Increasingly, investors are contacting securities regulators after finding themselves in investments that they do not believe are suitable for them. It is critical for investors to ensure that the "Know Your Client" forms they must complete on the opening of an account are up-to-date and that advisers are well aware of investment objectives and risk tolerance levels.

2. **Customer Service** - General customer service issues such as delays in transferring of accounts continue to be a problem in the industry. Investors could reduce delays by: getting professional assistance when completing forms, avoiding transfers during peak season, reading about the company's policies ahead of time, and following up with the institution they are transferring from.

3. **Unauthorized trades** - Investment advisers are not allowed to make trades on an account without the investor's permission unless the adviser has been given discretionary authority over the account (note that only specially qualified advisers are allowed to accept this authority). Investors who have not given discretionary authority should monitor their account to ensure unauthorized trading isn't occurring.

4. **Disclosure** - Many investors are still in the dark about fees, and in particular, about mutual fund fees. Investors should read the prospectus and ask questions if they still don't understand the fee structure of their investment. The Mutual Fund Fees Impact Calculator found on a number of regulators' web sites may help investors understand how fees can impact their investment returns over time.

5. **Scams and frauds including unregistered sales** - There is a growing number of scams and frauds being reported across the country. The best way investors can protect themselves from fraud is to do their homework. Ask questions. Check with your securities regulator to verify the registration of an adviser. Read all documents carefully. Don't fall for guarantees of high returns with low risk.

An investor who has a complaint should:

1. Contact the adviser directly - be sure to make detailed notes of any conversations.

2. Write to the branch manager with a copy to the firm's compliance officer.

3. Contact the provincial or territorial securities regulator in writing.

4. Securities regulators cannot get investors' money back. Instead, investors should contact a lawyer and they have the option of going to small claims court or proceeding to civil court or an arbitration program.

The CSA (**www.csa-acvm.ca**) has developed a number of investor resources aimed at helping investors avoid many of the most frequent complaints listed above. In addition, most jurisdictions have print or web resources on how to file a complaint. Contact your jurisdiction for a free Investor Education Kit.

Media relations contacts:

Joni Delaurier
Alberta Securities Commission
403-297-4481
www.albertasecurities.com

Andrew Poon
B.C. Securities Commission
604-899-6880
1-800-373-6393 (B.C. & Alberta only)
www.bcsc.bc.ca

Ainsley Cunningham
Manitoba Securities Commission
204-945-4733
1-800-655-5244 (Manitoba only)
www.msc.gov.mb.ca

Suzanne Ball
N.B. Securities Administration Branch
506-658-3060
1-866-933-2222 (N.B. only)
securities.branch@gnb.ca

Frank Switzer
Ontario Securities Commission
416-593-8120
www.osc.gov.on.ca

Denis Dubé
Commission des valeurs mobilières du Québec
514-940-2163
1-800-361-5072 (Quebec only)
www.cvmq.com

1.2.2 Securities Administrators Remind Canadians to Review Annual Reports - CSA

For Immediate Release
January 22, 2002

CANADIAN SECURITIES ADMINISTRATORS

DON'T IGNORE ANNUAL REPORTS REMIND SECURITIES ADMINISTRATORS

Montréal -- As Canadians mull over where to invest their money this RRSP season, Canada's securities administrators are reminding people of the value of the information in a company's financial reports.

"Too often, investors fail to read and understand the annual reports of companies in which they invest. Annual reports are a valuable source of information that can help people make more informed investment decisions," said Doug Hyndman, Chair of the Canadian Securities Administrators (CSA), the umbrella organization representing the 13 provincial and territorial securities commissions.

In addition to the prospectus, the company's website and other continuous disclosure documents, the annual report enables investors to have a better understanding of the company because it refers to its current activities, future opportunities and how it is performing compared with its competitors.

The following are ten tips on how to read between the lines of an annual report (many of the tips are found in the notes section of annual reports):

1. Compare the activities reported by the company's management with those that were outlined in the prospectus and the previous annual report. Significant changes could indicate that you should review your investment strategy.

2. Verify whether the company's business strategy is the same as that described in the prospectus and the last annual report. If it has changed, this could affect the performance of your investments.

3. If the annual report mentions strategic acquisitions made during the year, try to evaluate how they add value to the company and, at the same time, to your investments. Will these acquisitions have long-term effects? Will they help the company meet its objectives?

4. Ask yourself if the investments made by the company during the year in research and development brought tangible results.

5. Did the company's earnings during the previous year come from activities that had been announced in the previous report? Compare the projected earnings per activity type with the actual earnings generated by these activities. This will show you whether management actually followed the outlined strategies.

6. Look to see if the company experienced profits or losses. If there are losses, verify the explanations provided and when the company anticipates turning a profit. Ask management specific questions during the annual general meeting.

7. When analyzing the financial statements for any changes in cash flows, determine whether the company's funds were generated from daily activities or from other sources.

8. Does the company anticipate any changes in its activities or business plan in the next year? Does the company need to make changes to adjust to its competitors? What are the key factors that will affect future performance in terms of maximizing opportunities and minimizing risk?

9. Analyze the company's current financial situation and whether the company may have to use its cash reserves, borrow money or issue shares to solve any cash problems. What is the company planning on doing to respect its commitments?

10. How much profit is the company going to make next year? If the products are still in the developmental stage, it is probable that losses may be generated. If, on the other hand, the company is developing markets for a product, projections may be positive.

(*Adaptation of "Tips for High Tech Investors" from the Australian Securities & Investments Commission's Financial Tips & Safety Checks.*)

For more information for investors contact your local securities regulator for a free Investor Education Kit or visit the CSA website at www.csa-acvm.ca.

Media relations contacts:

Joni Delaurier
Alberta Securities Commission
403-297-4481
www.albertasecurities.com

Andrew Poon
B.C. Securities Commission
604-899-6880
1-800-373-6393 (B.C. & Alberta only)
www.bcsc.bc.ca

Ainsley Cunningham
Manitoba Securities Commission
204-945-4733
1-800-655-5244 (Manitoba only)
www.msc.gov.mb.ca

Suzanne Ball
N.B. Securities Administration Branch
506-658-3060
1-866-933-2222 (N.B. only)
securities.branch@gnb.ca

Frank Switzer
Ontario Securities Commission
416-593-8120
www.osc.gov.on.ca

Denis Dubé
Commission des valeurs mobilières du Québec
514-940-2163
1-800-361-5072 (Quebec only)
www.cvmq.com

1.2.3 OSC Promotes Investor Education During Financial Forum 2002 - Media Advisory

FOR IMMEDIATE RELEASE
January 23, 2002

OSC PROMOTES INVESTOR EDUCATION DURING FINANCIAL FORUM 2002

Toronto - To kick-off the Financial Forum 2002's Investor Education Forum, OSC Director of Communications, Frank Switzer, will lead a headline seminar designed to inform investors about the regulator's activities and programs to administer and enforce securities legislation in the Province of Ontario.

Mr. Switzer will encourage investors to become informed consumers. He will also highlight how the OSC is protecting investors from unfair, improper and fraudulent practices; and how investors can become partners in their protection.

The speaking engagement will take place on Thursday, January 24, 2002 between 10:45 and 11:30 AM. The Financial Forum will be located in Hall C, North Building of the Metro Toronto Convention Centre, 255 Front Street West.

For more information on the Financial Forum (January 24 - 27, 2002), please visit the Calendar of Events on the OSC's Web site at **www.osc.gov.on.ca**.

Terri Williams
Manager, Investor Education
Ontario Securities Commission
(416) 593-2350

This Page Intentionally left blank

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 General Mills, Inc. - MRRS Decision

Headnote

MRRS - registration and prospectus relief for issuance of shares by foreign issuer to Canadian employees, officers and directors under option and incentive plans - issuer bid relief for foreign issuer in connection with acquisition of shares under option and incentive plans.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., s. 25, 35(1)(1), 35(1)(12)(iii), 35(1)(17), 53, 72(1)(f)(iii), 72(1)(k), 74(1), 89(1), 93(3)(d), 104(2)(c).

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., s. 182(1), 183,203.1(1)(b)(ii), 204, 206.

Rules Cited

OSC Rule 45-503 - Employee Exemption - ss. 2.2 to 2.4, 3.5.

OSC Rule 72-501 - Prospectus Exemption from First Trade Over a Market Outside Ontario.

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

AND

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

AND IN THE MATTER OF
GENERAL MILLS, INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision-Maker**") in each of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick and Nova Scotia (the "**Jurisdictions**") has received an application from General Mills, Inc. ("**General Mills**" or the "**Company**") for a decision pursuant to the securities legislation of the Jurisdictions (the "**Legislation**") that:

(i) the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "**Registration and Prospectus Requirements**") shall not apply to certain trades in shares of General Mills common stock (the "**Shares**") made in connection with the General Mills, Inc. 1998 Employee Stock Plan (the "**1998 Stock Plan**"); and

(ii) the requirements contained in the Legislation relating to the delivery of an offer and issuer bid circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, taking up and paying for securities tendered to an issuer bid, disclosure, restrictions upon purchases of securities, bid financing, identical consideration and collateral benefits together with the requirement to file a reporting form within 10 days of an exempt issuer bid and pay a related fee (the "**Issuer Bid Requirements**") shall not apply to certain acquisitions by General Mills of Shares pursuant to the 1998 Stock Plan in the Jurisdictions.

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 General Mills has represented to the Decision-Makers as follows:

1. General Mills is presently a corporation incorporated under the laws of the state of Delaware. The executive offices of General Mills are located in Minneapolis, Minnesota.

2. The Company is registered with the Securities Exchange Commission ("**SEC**") in the United States under the *Securities Exchange Act of 1934* (the "**Exchange Act**") and is not exempt from the reporting requirements of the Exchange Act pursuant to Rule 12G 3-2 made thereunder.

3. General Mills is not a reporting issuer in any Jurisdiction and has no present intention of becoming a reporting issuer in any Jurisdiction. The majority of the directors and senior officers of General Mills reside outside of Canada.

4. The authorized share capital of General Mills consists of one billion Shares and 5 million shares of preferred stock (the "**Preferred Shares**"). As of September 25,

2001, there were 285,295,585 Shares and no Preferred Shares issued and outstanding.

5. The Shares are listed on the New York Stock Exchange ("**NYSE**").

6. The purpose of the 1998 Stock Plan is to attract and retain able employees by rewarding employees of General Mills and its affiliates (the "**General Mills Companies**") and to align the interests of employees with those of the stockholders of the Company through compensation that is based on the value of the Company's Shares.

7. Under the 1998 Stock Plan, options exercisable for Shares (the "**Options**") may be granted to employees of the General Mills Companies (the "**Participants**"). The 1998 Stock Plan also provides for the grant of restricted stock and restricted stock units but the General Mills Companies do not currently intend to make these available to their Canadian employees.

8. Employees who participate in the 1998 Stock Plan will not be induced to purchase Shares by expectation of employment or continued employment.

9. The 1998 Stock Plan is administered by the board of directors (the "**Board**") of the Company and/or a committee appointed by the Board.

10. As of September 25, 2001, there were 1400 Participants in Canada eligible to receive Options under the 1998 Stock Plan: 848 in Ontario; 50 in British Columbia; 67 in Alberta; 3 in Saskatchewan; 82 in Manitoba; 339 in Quebec; 3 in New Brunswick; and 8 in Nova Scotia.

11. Following the termination of a Participant's relationship with the General Mills Companies for reasons of disability, retirement, "change of control", "spin-off" or any other reason (collectively, the "**Former Participants**") and on the death of a Participant, where the Option has been transferred by will or pursuant to the laws of intestacy (collectively, the "**Permitted Transferees**"), the Former Participants and Permitted Transferees will continue to have rights in respect of the 1998 Stock Plan ("**Post-Termination Rights**"). Post-Termination Rights may include, among other things, the right of a Former Participant to exercise an Option for a period determined in accordance with the 1998 Stock Plan following termination and the right to sell Shares acquired under the 1998 Stock Plan through the Agent.

12. General Mills may use the services of one or more agents/brokers (collectively, "**Agents**" and, individually, an "**Agent**") under the 1998 Stock Plan. The current Agent for the 1998 Stock Plan is Wells Fargo Stock Options Services, Inc. The current Agent is, and if replaced, or if additional Agents are appointed, will be registered under applicable United States securities or banking legislation and has been or will be authorized by General Mills to provide services under the 1998 Stock Plan. The current Agent is not registered to conduct retail trades in any of the Jurisdictions and, if replaced, or if additional Agents are appointed, is not expected to be so registered in any of the Jurisdictions.

13. The Agent's role in the 1998 Stock Plan may include (a) assisting with the administration of the 1998 Stock Plan, including record-keeping functions; (b) facilitating the exercise of Options granted under the 1998 Stock Plan (including cashless and stock-swap exercises) to the extent that they are exercisable for Shares; (c) holding Shares issued under the 1998 Stock Plan on behalf of Participants, Former Participants and Permitted Transferees; and (d) facilitating the resale of the Shares issued in connection with the 1998 Stock Plan.

14. As there is no market for the Shares in Canada and none is expected to develop, it is expected that the resale by Participants, Former Participants and Permitted Transferees of the Shares acquired under the 1998 Stock Plan will be effected through the NYSE.

15. The sale of Shares acquired under the 1998 Stock Plan may be made by Participants, Former Participants or Permitted Transferees through the Agent.

16. As at September 25, 2001, Canadian shareholders did not hold, directly or indirectly, more than 10% of the issued and outstanding Shares of the Company and do not constitute more than 10% of the shareholders of the Company. If at any time during the currency of the 1998 Stock Plan Canadian shareholders of the Company hold, in aggregate, greater than 10% of the total number of issued and outstanding Shares or if such shareholders constitute more than 10% of all shareholders of the Company, the Company will apply to the relevant Jurisdiction for an order with respect to further trades to and by Participants, Former Participants and Permitted Transferees in that Jurisdiction in respect of Shares acquired under the 1998 Stock Plan.

17. All necessary securities filings have been made in the United States in order to offer the 1998 Stock Plan to Participants of the General Mills Companies resident in the United States.

18. A prospectus prepared according to United States' securities laws describing the terms and conditions of the 1998 Stock Plan will be delivered to each employee who is granted an Option under the 1998 Stock Plan. The annual reports, proxy materials and other materials General Mills is required to file with the SEC will be provided or made available to Participants resident in Canada at the same time and in the same manner as the documents are provided or made available to Participants resident in the United States.

19. Pursuant to the 1998 Stock Plan, the acquisition of Shares by the Company in certain circumstances may constitute an "issuer bid". The terms of the 1998 Stock Plan permit Option holders to surrender Shares to the Company on a stock-swap exercise. The exemptions in the Legislation from the Issuer Bid Requirements may not be available for such acquisitions by the Company since such acquisitions may occur at a price

that is not calculated in accordance with the "market price," as that term is defined in the Legislation, and may be made from persons other than employees or former employees.

20. The Legislation of certain of the Jurisdictions does not contain exemptions from the Prospectus and Registration Requirements for all the intended trades in Options and Shares under the 1998 Stock Plan.

21. When the Agent sells Shares on behalf of Participants, Former Participants and Permitted Transferees, the Agent, Participants, Former Participants and Permitted Transferees may not be able to rely upon the exemptions from the Registration and Prospectus Requirements contained in the Legislation of certain of the Jurisdictions.

AND WHEREAS pursuant to the System, this 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:

(i) the Registration and Prospectus Requirements shall not apply to any trade or distribution of Options or Shares made in connection with the 1998 Stock Plan, including trades and distributions involving the Agent, Participants, Former Participants, and Permitted Transferees, provided that the first trade in Shares acquired pursuant to this Decision in a Jurisdiction shall be deemed a primary distribution to the public under the Legislation of such Jurisdiction unless the conditions in section 2.14(1) of MI 45-102 Resale of Securities are satisfied;

(ii) the first trade by Participants, Former Participants or Permitted Transferees, in Shares acquired pursuant to the 1998 Stock Plan, including first trades effected through the Agent, shall not be subject to the Registration and Prospectus Requirements, provided such first trade is executed through a stock exchange or market outside of Canada; and

(iii) the Issuer Bid Requirements of the Legislation shall not apply to the acquisition by General Mills of Shares from Participants, Former Participants or Permitted Transferees provided such acquisitions are made in accordance with the terms of the 1998 Stock Plan.

January 9, 2002.

"Paul Moore" "Robert W. Korthals"

2.1.2 Biosante Pharmaceuticals, Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted to U.S. company from requirement to deliver interim financial statements to its shareholders in Canada provided alternative means of disseminating the information are used - U.S. company is registered with the SEC, is controlled by U.S. security holders, and its securities are traded over a market in the U.S. - U.S. company not required to deliver interim financial statements under U.S. securities law.

Applicable Ontario Rule

Rule 52-501 Financial Statements (2000) 23 O.S.C.B. 8372

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 79, 80(b)(iii)

Applicable Ontario Policy

OSC Policy 52-601 Applications for Exemption from Preparation and Mailing of Interim Financial Statements, Annual Financial Statements and Proxy Solicitation Material (1982) 4 O.S.C.B. 385E, as am. (2001) 24 O.S.C.B. 2404

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
BIOSANTE PHARMACEUTICALS, INC.

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 BioSante Pharmaceuticals, Inc. (the "Applicant" or "BioSante") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the Applicant be exempt from the requirements under the Legislation to send interim financial statements to its shareholders registered in the Jurisdictions;

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 Maker that:

1. BioSante is a corporation established under the laws of the State of Delaware with its head office in the State of Illinois, United States of America. Its common stock is registered with the Securities and Exchange Commission ("SEC") of the United States.

2. BioSante is a reporting issuer in each of the Jurisdictions and is not in default of any requirement of the Legislation.

3. As at September 30, 2001, the issued share capital of BioSante consisted of 63,208,798 shares of common stock with no par value.

4. The common shares of BioSante trade on the Over the Counter Bulletin Board in the United States under the symbol BTPH.

5. The common shares of BioSante were also listed on the Canadian Venture Exchange under the symbol BAI until July 20, 2000 when they were delisted at the request of BioSante.

6. As at September 30, 2001, there were a total of 1,648 shareholders of BioSante, of which 1,276 were shareholders having their registered addresses in Canada.

7. At September 30, 2001, shareholders having their registered addresses in Canada held an aggregate of 4,689,500 common shares, representing approximately 7.4% of the total number of outstanding common shares.

8. Under United States securities laws, including the Securities Exchange Act of 1934, BioSante is not required to deliver interim financial statements to its shareholders provided that it files all interim financial statements with the SEC and each stock exchange upon which its securities are listed and provided that it issues a press release summarizing the results of such interim financial statements.

9. BioSante files its interim financial statements as prepared for the SEC with the Decision Maker of each of the Jurisdictions and issues a press release disseminated throughout Canada and the United States summarizing the results of such interim financial statements.

10. BioSante posts its latest financial statements on its website.

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 pursuant to the Legislation is that:

The Applicant is exempt from the requirements contained in the Legislation to deliver interim financial statements to its shareholders resident in the Jurisdictions (the "Canadian Shareholders"), provided that:

1. The Applicant continues to file its interim financial statements with the Decision Makers;

2. The Applicant includes a prominent notification on its website and in its annual financial statements sent to Canadian Shareholders that the interim financial statements are prepared and filed on SEDAR and are available to Canadian Shareholders upon request at no charge; and

3. The Applicant issues and files a press release concurrently with the filing of its interim financial statements summarizing the results of such interim financial statements.

January 17, 2002.

"Howard I. Wetston, Q. C." "R. Stephen Paddon, Q. C."

2.1.3 ARAMARK Corporation - MRRS Decsion

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – clause 104(2)(c) – issuer bid made by non-reporting U.S. company with 126 security holders in Ontario holding approximately 1% of the total issued and outstanding securities subject to the issuer bid – Relief from issuer bid requirements granted provided that the issuer bid is effected in accordance with applicable U.S. laws (other than those relating to proportionate take-up) and that all materials sent to U.S. security holders are sent to Ontario security holders and filed with the Commission.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O., c.S.5, as am., ss. 95, 96, 97, 98, 100, 104(2)(c)

Statutes Cited

United States Securities Act of 1934

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

AND

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

AND

IN THE MATTER OF
ARAMARK CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Makers") in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia and Newfoundland and Labrador (collectively the "Jurisdictions") have received an application from ARAMARK Corporation ("ARAMARK") on behalf of ARAMARK and on behalf of a proposed corporation resulting from the amalgamation of ARAMARK and ARAMARK Worldwide Corporation ("Mergeco"), for a decision pursuant to the securities legislation of each of the Jurisdictions (the "Legislation") exempting Mergeco from the requirements contained in the Legislation relating to the delivery of an offer and issuer bid circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, payments for securities tendered to an issuer bid, disclosure, restrictions upon purchases of securities, financing, identical consideration and collateral benefits (the "Issuer Bid Requirements") in connection with a proposed all-cash issuer bid (the "Bid") by Mergeco for a portion of the outstanding New Class A Shares (as hereinafter defined) of Mergeco;

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

AND WHEREAS ARAMARK and Mergeco have represented to the Decision Makers that:

1. ARAMARK is a corporation organized and existing under the laws of the State of Delaware.

2. There is at present no public market for the trading of ARAMARK securities. ARAMARK intends to effect a primary public offering of its securities in the United States (defined below as the "IPO"). ARAMARK is not a reporting issuer (or equivalent) under the laws of any Canadian jurisdiction.

3. In order to restructure its capital structure to facilitate the said public offering, ARAMARK will merge with ARAMARK Worldwide Corporation, its wholly-owned subsidiary, pursuant to a proposed Agreement and Plan of Merger (the "Merger"). Mergeco, the company resulting from the Merger will be named ARAMARK Corporation.

4. The authorized capital of ARAMARK presently consists of 175,000,000 shares, which includes 25,000,000 shares of class A common stock, par value $0.01 per share (the "Old Class A Shares") and 150,000,000 of class B common stock, par value

$0.01 (the "Old Class B Shares"). As at November 14, 2001, 2,385,438 Old Class A Shares and 59,591,005 Old Class B Shares were issued and outstanding.

5. Under the Merger, each Old Class A Share will convert into twenty (20) shares of new class A-1 common stock of Mergeco and each Old Class B Share will convert into two (2) shares of new class A common stock, divided as equally as possible among three different series of new class A common stock categorized as class A-1, class A-2 and class A-3 (collectively referred to as the "New Class A Shares"). Mergeco's authorized capital will also include class B common stock (the "New Class B Shares"). On completion of the Merger, assuming no changes in outstanding capital prior to such time, Mergeco's issued equity capital would then consist of 47,707,600 New Class A Shares and 119,462,156 New Class B Shares for a total of 167,169,756 Shares outstanding.

6. New Class A Shares will be entitled to ten votes each while New Class B Shares will have the same economic rights as New Class A Shares but will be entitled to only one vote each. The shares of class A-1, class A-2 and class A-3 common stock will be identical except for the applicable sale restriction periods, which will expire as follows:

Class	Sale Restriction Period
A-1	180 days after the IPO
A-2	360 days after the IPO
A-3	540 days after the IPO

7. The New Class B Shares to be issued under the IPO will be listed on the New York Stock Exchange and will be the only securities of Mergeco listed on a stock exchange.

8. Following the expiration of the applicable resale restriction period, each New Class A Share will automatically convert into one freely transferable New Class B Share upon transfer, except for non-conversion transfers which shall not convert into New Class B Shares. Non-conversion transfers include transfers to and among family members of New Class A shareholders, bona fide pledges of New Class A Shares by shareholders to lending or financial institutions for indebtedness of the holder and transfers approved as non-conversion transfers by the board of directors of Mergeco.

9. In the event that an employee shareholder's employment with Mergeco is terminated prior to the pricing of the IPO, that shareholder's New Class A Share will be converted into a restricted New Class B Share upon the earlier of 180 days after the pricing of the IPO and the date the Bid is completed. Such restricted New Class B Share can not be transferred by the former employee for a period of 180 days following the date of the IPO.

10. Immediately following the Merger, Mergeco intends to go public by selling to the public a number of New Class B Shares (the "IPO"). The preliminary prospectus contemplates an offering of 30,000,000 New Class B Shares, up to a maximum of 34,500,000 if the over allotment option is exercised in full. A portion of this offering may be privately placed in Canada pursuant to exemptions from applicable prospectus requirements. The quantum of the offering into Canada is expected to represent approximately 2% (690,000 shares, based on maximum IPO size indicated above) to 5% (1,725,000 shares, based on maximum IPO size indicated above), of the total offering, and is anticipated to be distributed evenly amongst four provinces, including Ontario, Alberta and British Columbia (the "Canadian Private Placements"). Mergeco plans to use a portion of the net proceeds of the IPO to purchase a portion of the New Class A Shares under the Bid.

11. As a result of the IPO, Mergeco will be subject to the requirements of the Securities Exchange Act of 1934 (the "1934 Act") and will not be exempt from the reporting requirements of the 1934 Act under any rule. Mergeco will not be a reporting issuer (or equivalent) under the laws of any Canadian jurisdiction.

12. As Mergeco will be subject to the rules of the 1934 Act, the Bid will be made in compliance with the 1934 Act and the rules of the United States Securities and Exchange Commission (the "SEC"). The U.S. issuer bid rules, like the Ontario Issuer Bid Requirements, contemplate an issuer bid for a specific number of shares with tendering shareholders participating on a pro-rata basis. Mergeco has obtained relief from the SEC in the form of a "no action" letter dated November 20, 2001 to permit Mergeco to acquire a stated percentage of New Class A Shares under the Bid from any one shareholder, rather than purchasing New Class A Shares on a pro rata basis if a shareholder tenders more than the maximum number (the "SEC Tender Offer Relief").

13. Mergeco obtained the SEC Tender Offer Relief because, under the terms of the Bid, each shareholder may tender up to a maximum of 13% of his or her New Class A Shares. If the tender offer is fully subscribed by all New Class A Share shareholders Mergeco will accept no more than 10% of each shareholders New Class A Shares. To the extent that some shareholders have tendered less than 10% of their New Class A Shares, the shortfall will be allocated to shareholders that have tendered more than the 10% (but in no event more than 13%) on a pro rata basis.

14. Mergeco intends to make the Bid available to all holders of New Class A Shares including all employees and senior managers of ARAMARK prior to the Merger and their permitted transferees. Many employee shareholders of ARAMARK have transferred their Old Class A Shares to their Registered Retirement Savings Plans ("Employee RRSPs"), directly to their spouses and/or minor children (collectively, "Immediate Family Members") or to trusts, the beneficiaries of which are one or more Immediate

Family Members ("Family Trusts") or to companies which shares are owned by the employee and/or one or more Immediate Family Members ("Family Companies"), in each case in reliance upon orders granted by various of the Decision Makers and by the Quebec Securities Commission exempting trades made by employees to Eligible Transferees (as described below) from the prospectus and registration requirements of the Act and other securities legislation. As a result of such transfers, Employee RRSPs, Immediate Family Members, Family Trusts and Family Companies (collectively "Eligible Transferees") are the holders of some of the New Class A Shares.

15. Holders of the New Class A Shares in each of the Jurisdictions are either employees of ARAMARK or its subsidiaries or their Eligible Transferees.

16. As of August 21, 2001, there were the following number of registered holders of Old Class B Shares on the books of ARAMARK with addresses in each of the Jurisdictions:

Jurisdiction	Total No. of Old Class B Shares	No. Shareholders Old Class B (Oct.29/01)	% of Issued and Outstanding Old Class B Shares
Ontario	639,263	126	1%
Alberta	30,056	16	< 1%
British Columbia	1,507	4	< 1%
Manitoba	19,086	15	< 1%
Newfoundland and Labrador	6,600	4	< 1%
Nova Scotia	17,265	7	< 1%
Saskatchewan	2,000	3	< 1%

17. The Bid will be made only for New Class A Shares. Mergeco anticipates that each holder of New Class A Shares will be able to tender up to 13% of its New Class A Shares to the Bid. If the Bid is fully subscribed, Mergeco will accept no more than 10% of each shareholder's New Class A Shares. A holder of New Class A Shares may tender to the Bid as many shares of class A-1 as it desires, subject to the maximum percentage of shares allowed to tender. Of the New Class A Shares tendered, no more than 1/3 may be shares of class A-2 and no more than 1/3 may be shares of class A-3. The maximum of New Class A Shares that may be tendered under the Bid would be proportionately reduced to the extent that the Bid price exceeds the public offering price for the New Class B Shares.

18. Currently there are two shareholders holding in excess of 10% of the issued and outstanding Old Class A Shares: the Trustee for the ARAMARK Retirement Savings Plan and the Uniform and Career Apparel Group Retirement Savings Plan (the "Trustee") (19.6%); and Joseph Neubauer ("Neubauer") (17.2%). It is anticipated that Neubauer will participate in the Bid. In lieu of the Trustee participating in the Bid, Mergeco will enter into an agreement with the Trustee to purchase 10% of the New Class A Shares held by the Trustee following the Merger and the IPO.

19. Mergeco anticipates that the price offered under the Bid will be equal to the initial offering price in the IPO. However, the Bid price, as determined by the board of directors of Mergeco or its executive committee, may be adjusted to take account of the post-IPO market price of the New Class B Shares; however, it is not anticipated that the Bid price will be at a premium to the market price prevailing at the time the Bid is made.

20. The Bid will be made to the holders of New Class A Shares whose last address, as shown on the books of Mergeco is in one of the Jurisdictions, on the same basis, including extending to those holders identical rights and identical consideration, as to holders of New Class A Shares resident in the United States.

21. All material relating to the Bid that is sent to holders of New Class A Shares in non-Canadian jurisdictions will be concurrently sent to Shareholders resident in the Jurisdictions and will be filed with the securities regulatory authorities of the Jurisdictions.

22. Upon completion of the Merger and the IPO, it is anticipated that the Shareholders in each of the Jurisdictions (before giving effect to the Canadian Private Placements or the Bid) will own approximately, in the aggregate, the following number of Class A Shares:

Jurisdiction	No. of Class New Class A Shares	% of Issued and Outstanding New Class A Shares	% of Mergeco's Outstanding Common Stock	% of Mergeco's Voting Power
Ontario	1,278,526	1%	1%	1%
Alberta	60,112	< 1%	< 1%	< 1%
British Columbia	3,014	< 1%	< 1%	< 1%
Manitoba	38,172	< 1%	< 1%	< 1%
Newfoundland and Labrador	13,200	< 1%	< 1%	< 1%
Nova Scotia	34,530	< 1%	< 1%	< 1%
Saskatchewan	4,000	< 1%	< 1%	< 1%

After giving effect to the Canadian Private Placements, assuming that the maximum 5% of the maximum IPO size described in paragraph 10 hereof has been placed and distributed evenly between each of the four provinces, including Ontario, Alberta and British Columbia and before giving effect to the Bid, it is anticipated that the Shareholders in the jurisdictions of Ontario, Alberta and British Columbia will own approximately, in the aggregate, the following number of Shares:

Jurisdiction	No. of New Class B Shares	% of Issued and Outstanding New Class B Share	Total No. of New Class A and New Class B Shares	% of Mergeco's Outstanding Common Stock	% of Mergeco's Voting Power
Ontario	431,250	1.25%	1,709,776	.85%	<1%
Alberta	431,250	1.25%	491,362	.24%	<1%
British Columbia	431,250	1.25%	434,264	.22%	<1%

AND WHEREAS pursuant to 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 Makers with the jurisdiction to make the Decision has been met;

THE DECISION of each of the Decision Makers pursuant to the Legislation is that Mergeco is exempt from the Issuer Bid Requirements in respect of the Bid, provided that:

(a) the Bid, including any amendment thereto is made in compliance with the requirements of applicable United States securities laws other than as provided for in the SEC Tender Offer Relief;

(b) all materials relating to the Bid that are sent to the holders of New Class A Shares in non-Canadian jurisdictions are sent concurrently to the shareholders resident in the Jurisdictions; and

(c) copies of such materials are filed concurrently with the securities regulatory authorities of the Jurisdictions.

THE FURTHER DECISION of each of the Decision Makers pursuant to the Legislation is that the Application and the Decision shall be held in confidence by the Decision Makers until the earlier of (i) the date of the mailing of the Bid materials, and (ii) January 31, 2002.

December 20th, 2001.

"Paul M. Moore" "H. Lorne Morphy"

2.1.4 Destination Resorts Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - corporation having only three registered shareholders and no non-registered shareholders relieved from the requirements of National Policy 41 under specific conditions.

Applicable Statutory Provisions

National Policy Statement 41, Parts XI and XII.

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

AND

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

AND

IN THE MATTER OF DESTINATION RESORTS INC.

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in Alberta, British Columbia, Manitoba, Saskatchewan, Ontario and Québec (the "Jurisdictions") has received an application from Destination Resorts Inc. ("DRI") for a decision under the securities legislation of each of the Jurisdictions (the "Legislation") that the requirements of National Policy Statement No. 41 ("NP 41") shall not apply to DRI;

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

3. **AND WHEREAS** DRI has represented to the Decision Makers that:

   3.1 DRI was incorporated under the *Business Corporations Act* (Alberta) (the "ABCA") on December 5, 1996;

   3.2 DRI is a reporting issuer, or the equivalent, in the Jurisdictions;

   3.3 T.G.S. Properties Ltd. ("TGS") acquired all of the issued and outstanding common shares of DRI under an insider bid and compulsory acquisition transaction which concluded on November 22, 2000;

   3.4 Airstate Ltd. ("Airstate") and United Ltd. ("United") became holders of DRI Shares on January 15, 2001 by way of private placements;

   3.5 TGS, Airstate and United (the "DRI Shareholders") are the only registered holders of common shares of DRI;

   3.6 there are no non-registered holders of securities of DRI;

   3.7 DRI's common shares were delisted from The Toronto Stock Exchange (the "TSE") on November 30, 2000;

   3.8 the DRI Shareholders entered into a Unanimous Shareholders' Agreement ("USA") on January 15, 2001;

   3.9 pursuant to the USA, the DRI Shareholders must agree on a number of matters including, but not limited to:

      3.9.1 advances by the DRI Shareholders to DRI and any guarantees to be granted by the DRI Shareholders;

      3.9.2 the number of directors of DRI (the "Directors"), the composition of the Board of Directors and the removal of Directors;

      3.9.3 remuneration of Directors;

      3.9.4 the declaration and payment of dividends;

      3.9.5 the issuance and allotment of additional securities of DRI; and

      3.9.6 certain fundamental changes;

   3.10 meetings of the DRI Shareholders may be held from time to time to consider items referenced in subparagraph 3.9 above;

   3.11 the USA also contemplates that the Directors may call a special meeting of the DRI Shareholders at any time;

   3.12 DRI has outstanding $10,414,000 principal amount 8% convertible redeemable debentures (the "DRI Debentures") which mature on June 30, 2002 and are currently listed on the TSE.

   3.13 under the terms of the Trust Indenture governing the DRI Debentures (the "Trust Indenture"), DRI must remain a reporting issuer until the DRI Debentures mature;

   3.14 under the terms of the Trust Indenture, holders of the DRI Debentures are not entitled to notice of or to attend meetings of DRI Shareholders;

   3.15 the DRI Debentures are convertible into common shares of DRI upon notice of conversion to DRI;

3.16 DRI does not expect that any DRI Debentures will be converted into common shares of DRI prior to the maturity of the DRI Debentures due to the high conversion price and illiquidity of DRI's common shares;

3.17 other than debt owed to three third-party lenders and financial institutions, DRI has no securities, including debt securities, issued and outstanding save for:

3.17.1 the DRI common shares held by TGS, Airstate and United;

3.17.2 the DRI Debentures;

3.17.3 options to acquire an aggregate of 235,294 common shares of DRI held by two consultants resident in British Columbia which expire January 16, 2003;

3.17.4 an option to acquire 3,500 common shares of DRI held by an employee resident in Alberta which expires October 17, 2002; and

3.17.5 an option to acquire 7,806,405 common shares of DRI held by TGS which expires January 14, 2006;

3.18 DRI will comply with the requirements of the ABCA regarding the holding of shareholders meetings and will either hold a meeting or obtain a written resolution of DRI Shareholders in lieu of a meeting;

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

5. **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;

6. **THE DECISION** of the Decision Makers under the Legislation is that the requirements of NP 41 shall not apply to DRI provided that this Decision shall cease to be effective upon the earlier of the occurrence of any event which results in:

6.1 any outstanding voting securities of DRI being held by non-registered holders; or

6.2 DRI ceasing to be a reporting issuer, or the equivalent, in the Jurisdictions.

January 11, 2002.

"Eric T. Spink, Vice-Chair" "Jerry A. Bennis, FCA, Member"

2.1.5 Canadian Imperial Bank of Commerce, et al. - MRRS Decision

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

AND

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

AND

IN THE MATTER OF
CANADIAN IMPERIAL BANK OF COMMERCE
AND
CIBC INCOME PORTFOLIO
CIBC INCOME PLUS PORTFOLIO
CIBC BALANCED PORTFOLIO
CIBC BALANCED GROWTH PORTFOLIO
CIBC BALANCED GROWTH RSP PORTFOLIO
CIBC GROWTH PORTFOLIO
CIBC GROWTH RSP PORTFOLIO
CIBC AGGRESSIVE GROWTH PORTFOLIO
CIBC AGGRESSIVE GROWTH RSP PORTFOLIO

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (collectively, the "Decision Makers") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador (collectively, the "Jurisdictions") has received an application (the "Application") from Canadian Imperial Bank of Commerce (the "Manager") in its own capacity and on behalf of CIBC Income Portfolio, CIBC Income Plus Portfolio, CIBC Balanced Portfolio, CIBC Balanced Growth Portfolio, CIBC Balanced Growth RSP Portfolio, CIBC Growth Portfolio, CIBC Growth RSP Portfolio, CIBC Aggressive Growth Portfolio, CIBC Aggressive Growth RSP Portfolio and other mutual funds managed by the Manager after the date of this Decision (defined herein) having as their investment objective to invest all or substantially all of their assets in other mutual funds managed by the Manager (collectively, the "Top Funds", individually, a "Top Fund") for a decision by each Decision Maker (collectively, the "Decision") pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the following provisions of the Legislation (the "Applicable Requirements") shall not apply to the Manager or the Top Funds, as the case may be, in respect of certain investments to be made from time to time by a Top Fund in the units of CIBC Money Market Fund, CIBC Canadian Bond Fund, CIBC Global Bond Fund, Canadian Imperial Equity Fund, CIBC U.S. Small Companies Fund, CIBC European Equity Fund, CIBC Emerging Economies Fund, CIBC Far East Prosperity Fund, CIBC Canadian Short-Term Bond Index Fund, CIBC U.S. Equity Index Fund, CIBC U.S. Index RRSP Fund, CIBC International Index RRSP Fund, CIBC Canadian Bond Index Fund, CIBC Canadian Index Fund and such other mutual funds managed by the Manager after the date of this

Decision (collectively, the "Underlying Funds, individually, an "Underlying Fund"):

(a) the restrictions contained in the Legislation 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

(b) the requirements contained in the Legislation requiring a management company, or in British Columbia, a mutual fund manager, to 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 ("MRRS") for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this Application;

AND WHEREAS the Manager has represented to the Decision Makers as follows:

1. The Manager is a Canadian chartered bank with its head office located in Toronto, Ontario, and is, or will be, the Manager of the Top Funds and Underlying Funds.

2. Each of the Top Funds and Underlying Funds is or will be an open-end mutual fund trust established under the laws of the Province of Ontario. Units of each of the Top Funds and Underlying Funds will be qualified for distribution in each of the Jurisdictions under a simplified prospectus and annual information form (together, the "Prospectus") filed with and accepted by the Decision Makers.

3. Each of the Top Funds and Underlying Funds is or will be a reporting issuer in each of the Jurisdictions and is not or will not be in default of any requirements of the Legislation.

4. To achieve their respective investment objectives, each of the Top Funds will invest fixed percentages (the "Fixed Percentages") of its net assets, excluding cash and cash equivalents, directly in units of the specified Underlying Funds, subject to a permitted deviation to account for market fluctuations of not more than 2.5 percent above or below the Fixed Percentages (the "Permitted Ranges").

5. The Prospectus for the Top Funds will disclose the names, investment objectives, investment strategies, risks and restrictions of the Top Funds and Underlying Funds, as well as the Fixed Percentages to be invested in each Underlying Fund and the Permitted Ranges.

6. Where an Underlying Fund or a Fixed Percentage is changed, the Manager will amend the Prospectus in accordance with securities legislation to reflect this significant change, or will file a new simplified prospectus reflecting the significant change within ten days thereof, and will provide 60 days' prior written notice of the change to unitholders of the relevant Top Fund.

7. Each of the Top Funds will not invest in a mutual fund whose investment objective includes investing in other mutual funds.

8. CIBC Securities Inc., a wholly owned subsidiary of the Manager is or will be the principal distributor and will act as dealer for the purchase by a Top Fund of units of an Underlying Fund. The arrangements will be such that the Top Fund is not charged any initial sales charge in connection with its purchase of units of an Underlying Fund, and the purchase of such units will be on a basis that does not give rise to any deferred sales charge payable by a Top Fund.

9. The investments by each of the Top Funds in securities of the Underlying Funds represent the business judgement of "responsible persons" (as defined in the Legislation) uninfluenced by considerations other than the best interests of the Top Fund.

10. Except to the extent evidenced by this Decision and specific approvals granted by the regulator or the securities regulatory authority in each of the provinces and territories of Canada pursuant to National Instrument 81-102 Mutual Funds ("NI 81-102"), the investments by each Top Fund in an Underlying Fund have been structured to comply with the investment restrictions of the Legislation and NI 81-102.

11. In the absence of this Decision, pursuant to the Legislation, the Top Funds are prohibited 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. As a result, in the absence of this Decision, the Top Funds would be required to divest themselves of any such investments.

12. In the absence of this Decision, the Legislation requires the Manager to file a report on every purchase and sale of securities of the Underlying Funds by the Top Funds.

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

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 Applicable Requirements shall not apply so as to prevent the Top Funds from making and holding an investment in securities of the Underlying Funds or require the Manager to file a report relating to the purchase and sale of such securities;

PROVIDED IN EACH CASE THAT:

1. the 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 matters in section 2.5 of NI 81-102;

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 securities of both the Top Fund and the Underlying Funds are being 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 Prospectus discloses the intent of the Top Fund to invest in securities 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 Prospectus;

   (g) the Top Fund's holding of securities in the Underlying Funds does not deviate from the Permitted Ranges;

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

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

   (j) if the Fixed Percentages and the Underlying Funds which are disclosed in the Prospectus have been changed, either the Top Fund's Prospectus has been amended or a new simplified prospectus has been filed to reflect the change, and the security holders of the Top Fund have been 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 the securities of such mutual funds;

   (l) no sales charges are payable by the Top Fund in relation to its purchases of securities 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 securities 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 the securities 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 security holders of an Underlying Fund as required by applicable laws or the constating documents of that Underlying Fund has been delivered by the Top Fund to its security holders;

   (q) all of the disclosure and notice material prepared in connection with a meeting of security holders of the Underlying Funds and received by the Top Fund has been provided to its security holders, the security holders have been 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 has not voted its holdings in the Underlying Funds except to the extent the security holders 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, security holders of the Top Fund have received appropriate summary disclosure in respect of the Top Fund's holdings of securities 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 simplified prospectus and annual information form of the Underlying Funds have been provided upon request to security holders of the

Top Fund and the right to receive these documents is disclosed in the Prospectus of the Top Fund.

January 16, 2002.

"K. D. Adams" "Robert W. Korthals"

2.1.6 Pulse Data Inc. and Request Income Trust - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from requirement to provide identical consideration to permit the offeror under securities exchange take-over bid to sell shares that would otherwise go to U.S. residents and remit the cash proceeds to them - relief from requirement to provide three years of audited financial statements of offeror in take-over bid circular as offeror commenced the applicable activities less than three years prior - relief from the requirement to provide financial statements of acquired businesses in take-over bid circular as the vendors were not under an obligation to provide them.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., sections 97, 98 and 104(2)(c)

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., Form 32.

Applicable Ontario Rule

Ontario Securities Commission Rule 41-501 General Prospectus Rule

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

AND

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

AND

IN THE MATTER OF
PULSE DATA INC.

AND

IN THE MATTER OF
REQUEST INCOME TRUST

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick and Newfoundland (the "Jurisdictions") has received an application from Pulse Data Inc. ("Pulse") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that, in connection with Pulse's offer (the "Offer") to acquire all of the issued and outstanding

units (the "Units") of ReQuest Income Trust ("ReQuest"):

1.1 the requirement contained in the Legislation to offer all holders of the same class of securities identical consideration(the "Identical Consideration Requirement") shall not apply to U.S. Unitholders (as defined below) who receive the cash proceeds from the sale of ReQuest Units in accordance with the procedure in paragraph 3.19 below; and

1.2 the requirement to include audited statements of income, retained earnings and cash flows for each of the three most recently completed financial years of Pulse (the "Issuer Financial Statement Requirement") in the take-over bid circular of Pulse shall not apply to the Offer; and

1.3 the requirement to include financial statements required pursuant to Parts 4 and 6 of Ontario Rule 41-501 ("NI 41-501") (the "Acquired Business Financial Statement Requirement") in the take-over bid circular for a business acquired by Pulse shall not apply to the Offer.

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

3. **AND WHEREAS** the Applicant has represented to the Decision Makers that:

3.1 Pulse is a corporation organized under the *Canada Business Corporations Act* (the "CBCA") specializing in the development, marketing, acquisition and subsequent licensing of non-exclusive seismic data in western Canada to the oil and gas industry. Its head office is in Calgary, Alberta;

3.2 Pulse was originally incorporated pursuant to the CBCA as 144020 Canada Ltd. on August 26, 1985. Prior to October 1, 1998, Pulse was involved in the business of exploration and development of mining claims;

3.3 pursuant to a Plan of Arrangement effective October 1, 1998 (the "Augusta Plan of Arrangement"), the then existing liabilities, assets and mineral properties held by the Pulse, then known as Augusta Gold Corporation, were transferred to and assumed by another corporation;

3.4 on October 13, 1999, Pulse acquired a 50% undivided interest in certain 2D seismic data (the "Pulse Seismic Data Purchase"). In addition, as part of the Pulse Seismic Data Purchase, the Pulse purchased certain intellectual property and other seismic related assets. In conjunction with this acquisition, all of the officers and most of the directors of Pulse were replaced;

3.5 subsequent to the completion of the Augusta Plan of Arrangement and prior to the completion of the purchase of seismic data pursuant to the Pulse Seismic Data Purchase, Pulse did not carry on active business and did not own any material assets other than cash;

3.6 the authorized share capital of Pulse consists of an unlimited number of common shares (the "Common Shares") and an unlimited number of preferred shares, issuable in series, of which, as of December 5, 2001, 17,297,686 Common Shares and no preferred shares were issued and outstanding;

3.7 the Common Shares of Pulse are listed and posted for trading on The Toronto Stock Exchange (the "TSE");

3.8 Pulse is a reporting issuer or the equivalent in the provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario and Quebec and is not in default of any requirement of the Legislation;

3.9 ReQuest is an open-ended mutual fund trust governed by the laws of the Province of Alberta. ReQuest was created on February 5, 2001 pursuant to a Declaration of Trust (the "Declaration of Trust"). Its head office is in Calgary, Alberta;

3.10 the authorized capital of ReQuest consists of classes of Units and "special voting units" of which, as of December 5, 2001, 10,984,846 Units and no "special voting units" were issued and outstanding;

3.11 the Units are listed and posted for trading on the TSE under the symbol "RSH.UN";

3.12 ReQuest is a reporting issuer, or the equivalent, in each province of Canada;

3.13 effective November 25, 2001, Pulse, ReQuest, Request Seismic Surveys Ltd., a wholly owned subsidiary of ReQuest, and ReQuest Management Inc. (the manager of ReQuest) entered into a pre-acquisition agreement pursuant to which Pulse will make the Offer on or about December 24, 2001 by way of formal take-over bid under the Legislation;

3.14 under the proposed terms of the Offer, the holders of ReQuest Units will be entitled to 2.1 Common Shares of Pulse for each Unit;

3.15 the Common Shares will not be registered or otherwise qualified for distribution in the United States. Accordingly, without further action by Pulse, the delivery of Pulse Common Shares would constitute a violation of the laws of the United States;

3.16 to the knowledge of senior management of Pulse, as of December 5, 2001, there were ten beneficial holders resident in the United States holding an aggregate of 1,101,750 of the outstanding ReQuest Units;

3.17 9.75% of the outstanding ReQuest Units are held by Chaney & Partners IV L.P., ("Chaney") a limited partnership resident in the United States. Pulse has been advised that Chaney is an accredited investor under the securities laws of the United States. As such, the issuance of Pulse Common Shares to Chaney under the Offer will be exempt from the registration requirements of the securities laws of the United States.

3.18 to the knowledge of senior management of Pulse, as of December 5, 2001, the maximum percentage of the outstanding ReQuest Units held by residents of the United States other than Chaney (the "U.S. Unitholders"), was not more than 1% of the outstanding ReQuest Units;

3.19 Pulse proposes to deal with any Common Shares issuable to U.S. Unitholders under the Offer in the following manner:

3.19.1 the total number of Common Shares issuable to U.S. Shareholders for which appropriate exemptions from the registration requirements of the U.S. Securities Act are not available to the Applicant shall be delivered to the depositary of Pulse under the Offer (the "Depositary");

3.19.2 the Depositary will then pool and sell such Common Shares on the TSE on behalf of the U.S. Unitholders in a manner that is intended to minimize any adverse effect on the market price of Pulse Common Shares;

3.19.3 as soon as possible following completion of such sale, the Depositary will provide the U.S. Unitholders with their respective share of the proceeds of the sale, less any commissions and withholding taxes;

3.20 the Legislation requires that Pulse include in its take-over bid circular

3.20.1 audited statements of income, retained earnings and cash flows of Pulse for each of the three most recently completed financial years of Pulse (the "Issuer Financial Statement Requirement"), being the years ended December 31, 2000, 1999 and 1998; and

3.20.2 certain financial statements pertaining to the business acquired by the Applicant pursuant to the Pulse Seismic Data Purchase (the "Acquired Business Financial Statement Requirement")

3.21 the audited financial statements of Pulse for the financial year ended December 31, 1998 was a period in which Pulse was not operating its current seismic data business and therefore such financial statements are misleading and immaterial to any potential investors in Pulse's Common Shares;

3.22 Pulse will include in the Circular

3.22.1 the audited financial statements of Pulse for each of the two most recently completed financial years of the Applicant, being the years ended December 31, 2000 and 1999, and

3.22.2 consolidated unaudited financial statements of Pulse for the nine month periods ended September 30, 2001 and September 30, 2000;

3.23 Pulse acquired the assets under the Pulse Seismic Data Purchase from six vendors. Because of the manner in which the revenues and costs from the assets acquired in the Pulse Seismic Data Purchase was accounted for by each vendor, financial statements cannot be prepared. Further, four of the six vendors are no longer involved in the operation of such seismic data, have no requirement to disclose their records for analysis and have refused to disclose such records.

3.24 the financial statements required to be included in the Circular under the Acquired Business Financial Statement Requirement are not available for inclusion in the Circular;

3.25 relief from both the Issuer Financial Statement Requirement and the Acquired Business Financial Statement Requirement was provided to Pulse by the Decision Maker in each of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario in connection with a long-form prospectus of the Applicant for which a receipt was issued on November 2, 2000 (the "Prospectus");

3.26 in the Prospectus, Pulse included disclosure in a section titled "Selected Revenue Information" which included unaudited financial information with respect to certain license revenue for Pulse for the six months ended June 30, 2000 and for the years ended December 31, 1999, 1998 and 1997 as an alternative to the Acquired Business Financial Statement Requirement;

3.27 except to the extent that relief is granted to Pulse in the MRRS Decision Document, the Offer is being made in compliance with the requirements under the Legislation concerning take-over bids;

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

5. **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;

6. **AND WHEREAS** the Decision of the Decision Makers under the Legislation is that, in connection with the Offer:

   6.1 Pulse is exempt from the Identical Consideration Requirement insofar as U.S. Unitholders who accept the Offer will receive cash proceeds from the Depositary's sale of Pulse Common Shares in accordance with the procedure set out in paragraph 3.19 instead of Pulse Common Shares;

   6.2 Pulse is exempt from the Issuer Financial Statement Requirement provided that the Pulse includes in the Circular to be sent to ReQuest Unitholders the audited financial statements of Pulse referred to in paragraph 3.22; and

   6.3 Pulse is exempt from the Acquired Business Financial Statement Requirement for the Pulse Seismic Data Purchase provided that Pulse includes in the Circular to be sent to the ReQuest Unitholders, disclosure substantially similar to that included in the Prospectus referred to in paragraph 3.26.

December 21, 2001.

"Glenda A. Campbell," Vice-Chair

"John W. Cranston," Member

2.1.7 Gordon Scott Paterson - Settlement Agreement

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

AND

IN THE MATTER OF
GORDON SCOTT PATERSON

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Hearing dated December 17, 2001 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider whether, pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act"), it is in the public interest for the Commission:

   (a) to make an order approving the proposed settlement entered into between Staff of the Commission ("Staff") and the respondent, Gordon Scott Paterson ("Paterson") of this proceeding, which approval will be sought jointly by Staff and Paterson;

   (b) to make an order that the respondent Paterson be reprimanded; and

   (c) to make an order that the respondent Paterson pay costs to the Commission.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff agrees to recommend settlement of the proceeding initiated in respect of the respondent Paterson by the Notice of Hearing in accordance with the terms and conditions set out below. Paterson consents to the making of an order against him in the form attached as Schedule "A" on the basis of the facts set out below.

III. STATEMENT OF FACTS

ACKNOWLEDGEMENT

3. Solely for the purpose of this proceeding, Paterson agrees with the facts as set out in this Part III.

FACTS

YORKTON SECURITIES INC.

4. The conduct of Paterson that is the subject matter of this Settlement Agreement occurred prior to February 2001 (the "Material Time").

5. Yorkton is registered as, among other things, a broker and investment dealer under the Act and is a member of, among other things, the Toronto Stock Exchange (the "TSE") and the Investment Dealers Association of Canada (the "IDA"). Yorkton is an employee-owned firm with over 600 employees. Yorkton is a wholly-owned subsidiary of Yorkton Financial Inc. ("Yorkton Financial").

6. Paterson was registered as a trading officer and the Chairman and Chief Executive Officer of Yorkton since October 1998, and President of Yorkton from May 20, 1997 to October 1, 1998. During the Material Time, Paterson owned approximately 15% of Yorkton Financial. Paterson was registered as a trading officer with the title of Executive Vice-President and Director from May 16, 1995 to May 20, 1997.

7. Piergiorgio Donnini ("Donnini") was Yorkton's Head Institutional and Liability Trader, except for the period from September 1998 to April 1999, as indicated herein. Donnini's employment with Yorkton was terminated in April 2001. From November 14, 1995 to April 5, 2001, Donnini was registered as a sales representative with Yorkton, with the exception from September, 1998 to April, 1999 when Donnini was not employed with Yorkton.

8. Alkarim Jivraj ("Jivraj") has been employed with Yorkton as an investment banker since 1996.

GTR GROUP INC.

9. GTR Group Inc. ("GTR") was the continuing company formed through the reverse take-over (the "RTO") by Games Trader Inc. ("GTI") of the listed "shell" then known as Xencet Investments Inc. ("Xencet") in October 1998 and the concurrent exchange of securities with shareholders of 1308129 Ontario Inc. ("1308129"). Effective September 5, 2001, GTR changed its name to Mad Catz Interactive Inc. During the Material Time GTR was a reporting issuer in British Columbia, Alberta and Ontario and its common shares were listed and posted for trading on the TSE under the symbol GTR.

10. During the Material Time GTR carried on business through two operating subsidiaries. Through the first of those subsidiaries (which carried on business under the name "Games Trader"), GTR was a supplier of video games to mass merchant and specialty retailers in the United States and Canada, with its principal business activity being the sourcing, refurbishing, repackaging and distribution of previously played video game software. Through the second of those subsidiaries, GTR designed, developed, manufactured (through third parties) and marketed interactive video game control devices and accessories.

11. GTI was, until it was taken public through the RTO, a closely-held company that carried on the business later operated under the "Games Trader" name.

1. Investments by Yorkton Group in GTI

12. In March 1997, Capital Canada Limited ("CCL") made a presentation to representatives of Yorkton concerning an opportunity to participate in the acquisition and financing of GTI. In this presentation, CCL expressed the view that individuals at Yorkton should acquire shares in GTI as a sign of their good faith.

13. In response to this presentation, ultimately Yorkton acquired 250,000 common shares, representing approximately 6% of the outstanding common shares of GTI. Yorkton then transferred those shares to the various persons and entities including Patstar Inc., a corporation owned by Paterson (collectively, the "Yorkton Group"). Patstar Inc. purchased 25,000 of these common shares for $25,000.

2. Yorkton/Paterson Relationship with Xencet

14. Xencet was incorporated in 1993 as a "junior capital pool" under the name Patch Ventures Inc. ("Patch") at the initiative of, among others, Paterson. In 1994, Patch acquired all of the issued and outstanding shares of Legacy Manufacturing Corporation pursuant to a reverse take-over, following which the name of the company was changed to Legacy Storage Systems International Inc. ("Legacy"). In 1995, Paterson joined the board of directors of Legacy and its shares were listed and posted for trading on the TSE. Paterson has since 1995 also been a shareholder of Legacy and its successor companies.

15. Since 1995, Yorkton has regularly acted as underwriter and financial advisor for Xencet and its predecessor companies and was also a security holder. In particular, Yorkton was the lead underwriter in respect of two special warrant offerings of Legacy completed in May 1995 and December 1995, and the lead underwriter in respect of the unit offering of Legacy completed in March 1996. Yorkton also acted as financial advisor to Legacy in connection with the acquisition by Legacy of shares and assets of Rexon Inc., completed in March 1996. Legacy subsequently changed its name to Tecmar Technologies International Inc. in December 1996. In January 1998, its name again was changed to Xencet Investments Inc. ("Xencet") in connection with the proposed sale of the last of its operating businesses. Paterson remained on the board of Xencet (and its predecessor companies as of August 1995) until his resignation from the board on September 30, 1998.

16. Upon completion of the sale of the last of Xencet's operating businesses, in mid-February 1998, Xencet had no significant operations. It held cash and cash equivalents in excess of $7.5 million. Its only other asset was a listing on the TSE. To preserve this listing,

the TSE required that Xencet enter into a legally binding agreement by August 18, 1998 to acquire an operating business that, if completed, would result in Xencet meeting the original listing requirements of the TSE. Failing that, the shares of Xencet would be de-listed. This was publicly announced by Xencet. The board of directors of Xencet asked Paterson and other firms and individuals to search out business opportunities.

17. In mid-March 1998, notwithstanding that Xencet had no apparent need or use for additional cash, Paterson proposed to the two other directors of Xencet a transaction pursuant to which Paterson and certain other investors identified by him would acquire for $0.65 per unit approximately 1,150,000 units. Each unit was to consist of one common share in the capital of Xencet and one common share purchase warrant exercisable for $0.70 per share for a period of two years from the date of issue. On March 31, 1998, the closing price of the common shares of Xencet on the TSE was $0.70 per share. The board of directors first approved the Private Placement on March 27, 1998 with Paterson abstaining. The TSE approved the issuance of up to 50% of the Private Placement to Paterson.

18. The proposed private placement was announced by Xencet on April 30, 1998 (the "Xencet Private Placement"). The Xencet Private Placement closed in late May 1998 at which time 460,000 units were issued to Yorkton in trust for Paterson, and 690,000 units were issued to two Yorkton institutional clients.

19. Xencet's press release of April 30, 1998 did not disclose the identity of the subscribers to the Xencet Private Placement. Note 3 to the consolidated interim financial statements attached to the Press Release stated that Xencet had determined to undertake a private placement in part to a related party, but did not disclose the identity of the related party. Certain Yorkton personnel assisting with the RTO were not made aware that Paterson had participated in the Xencet Private Placement until such disclosure was made in the Xencet Information Circular dated August 26, 1998 in connection with the RTO. Paterson signed his subscription agreement in relation to the Xencet Private Placement on May 21, 1998 and filed his insider report on September 16, 1998, reporting his acquisition of 460,000 units of Xencet effective on May 22, 1998.

3. The RTO - Role of Yorkton's Officers and Investment Bankers

20. In March 1998, Paterson committed the services of certain Yorkton employees to the board of Xencet. In particular, Paterson committed employees of Yorkton to review possible merger or RTO candidates and to report the results of the review to the Xencet Board. As a director of Xencet, Paterson was informed of all business opportunities presented to the Xencet board, and the development of any proposed transaction. Although Paterson committed the services of certain Yorkton employees to help search out proposed business opportunities, Paterson did not cause Yorkton to enter into an engagement agreement with Xencet. Xencet was not placed on the grey list (also referred to as a watch list) in March 1998. Yorkton did not place Xencet on its grey list until August 13, 1998.

21. Through 1997 and into early 1998, representatives of GTI met with Yorkton's Vice-President and Director of Investment Banking for the Media, Entertainment & Leisure Group and other Yorkton employees, other than Paterson, on various occasions to discuss the timing of an initial public offering of GTI and the company's financing requirements. As described below, in March 1998 and the months that followed Yorkton senior officers and investment bankers, other than Paterson, were acting as financial advisors to GTI.

22. On or about April 16, 1998, certain Yorkton senior officers and employees met with the President of GTI for a general business update on GTI. Yorkton's Vice-President and Director of Investment Banking for the Media, Entertainment & Leisure Group arranged for the GTI President to meet Paterson for the first time and give a presentation to Paterson on or about April 24, 1998.

23. After that presentation, Paterson advised representatives of GTI that it was Yorkton's view that, given GTI's recent operating results and financial condition, an initial public offering was not likely to be successfully completed until 1999 or later. Paterson indicated that he was aware, however, of a TSE-listed company that was looking for merger or acquisition candidates and that he would take the information provided by GTI and consider whether there could be a deal between GTI and that listed company. Shortly after this meeting, discussions ensued concerning a possible transaction, and the identity of Xencet was disclosed to GTI.

24. During April and May 1998, GTI was in discussions with Movies & Games 4 Sale, L.P. ("M4S"), a Dallas-based private limited partnership engaged in the same type of business as GTI, with respect to the possible combination of the businesses of GTI and M4S.

25. Paterson introduced GTI to the Board of Directors of Xencet on or about May 5, 1998.

26. In early May, 1998, Paterson, on behalf of Xencet and a representative of GTI, negotiated the proposed share exchange ratio in respect of the three businesses, such that Xencet, GTI and M4S were agreed to be valued as one-third interests of the proposed business combination, on a going forward basis for the purpose of further negotiations towards a definitive agreement on the RTO. This was prior to the first meeting between the GTI President and the Xencet President on May 13, 1998, which meeting was for an introductory purpose. The share exchange ratio agreed to by the parties was not publicly available.

27. On June 3, 1998, Xencet issued a press release announcing that it had entered into negotiations with unnamed parties, that discussions were at a preliminary stage, and that there was no assurance that the acquisition would be completed.

28. On or about June 12, 1998, it was determined that the proposed merger/RTO with M4S as a party to the transaction would not proceed, but that GTI and Xencet would continue RTO negotiations.

29. On or about June 16, 1998, Paterson, on behalf of Xencet, and representatives of GTI reached an agreement in respect of the share exchange ratio for the proposed RTO of GTI and Xencet. The parties agreed to a 50/50 share exchange ratio. The share exchange ratio agreed to by the parties was not publicly announced at this time. The parties continued to take further steps towards a definitive agreement on the RTO. On Friday, June 19, 1998, Xencet and GTI also entered into a confidentiality agreement, and began to exchange information under that agreement on Monday, June 22, 1998.

30. In order to proceed with the proposed RTO, GTI also approached the shareholders of GTI and requested that the original shareholders (which included Patstar Inc.) purchase shares from the founder of GTI. On June 30, 1998, Paterson and two Yorkton senior officers purchased common shares of GTI. Paterson, through Patstar Inc., purchased 55,627 shares of GTI.

31. On July 31, 1998, Xencet and GTI entered into an acquisition agreement (the "Acquisition Agreement"), as amended and restated on August 20, 1998, providing for the acquisition of all the issued and outstanding common shares of GTI, pursuant to securities exchange agreements to be entered into with the holders of GTI common shares in exchange for units of Xencet comprised of common shares and a fractional number of common share purchase warrants, subject to approval by the shareholders of Xencet and other conditions, including successful completion of an equity financing.

32. The share ratio agreed to by Xencet and GTI, as reflected in the Acquisition Agreement, was as follows:

> "On the terms and subject to the conditions set out herein and in the Securities Exchange Agreement, the transactions contemplated by this Agreement shall be effected by the implementation of the following steps on the Closing Date:
>
> (a) Xencet shall acquire all of the GTI Securities from the GTI Securityholders in exchange for an aggregate of:
>
> (i) 10,300,000 Xencet Common Shares: and
>
> (ii) 1,000,000 Xencet Series A Warrants;
>
> (b) Peter Kozicz shall receive options to purchase 514,884 common shares of Xencet exercisable until April 7, 2000 for the Kozicz Options held by him, it being the intent that the options to be granted to Peter Kozicz will be granted at the market price of the common shares of Xencet, as agreed to with the TSE, and that the accrued gain in the Kozicz Options, being the excess of the exercise price per share of the options to be granted by Xencet to Peter Kozicz over $0.4017 (the "Excess Amount") will be treated as a pre-payment of a portion of the exercise price per share payable under such options equal to the Excess Amount per share of the options to be granted to Peter Kozicz, so that Peter Kozicz is in the same economic position as if he continued to hold the Kozicz Options, and the TSE shall have approved the issuance of such options on the foregoing terms on or before August 12, 1998."

The Acquisition Agreement and the terms contained therein were not then publicly available.

33. In mid-1998, Jivraj became aware that several senior Yorkton officers had recently purchased shares in GTI.

34. In mid-1998, Jivraj approached Paterson and proposed that Paterson sell to him common shares in GTI. Paterson agreed to sell a portion of his position in GTI.

35. On August 19, 1998, Jivraj, purchased 2,217 common shares of GTI from Patstar Inc. for $1,441.05.

36. The RTO transaction was publicly announced by Xencet on August 26, 1998, which announcement included disclosure of the share exchange ratio agreed to by Xencet and GTI, as reflected in the Acquisition Agreement, as amended and restated on August 20, 1998. The transaction was subject to approval by Xencet shareholders. The information circular dated August 26, 1998 sent to Xencet shareholders disclosed information related to Paterson's holdings in and involvement with Xencet and GTI under the heading "Conflict of Interest". The RTO was completed by October 30, 1998, and the name of the company was changed to GTR as of November 11, 1998. Following the RTO, the common shares of Xencet/GTR traded on the TSE at prices substantially above the price at which the units were sold to Paterson and the two Yorkton institutional clients, pursuant to the Xencet Private Placement, and substantially above the price of the GTI shares purchased by Paterson and other Yorkton employees in the summer of 1998.

KASTEN CHASE APPLIED RESEARCH LIMITED

37. Kasten Chase Applied Research Limited ("KCA") is a corporation incorporated under the Business Corporations Act (Ontario). KCA develops and applies technology to provide secure remote access to computer networks. KCA was a privately held company up until 1994 at which time Yorkton structured the reverse take over by KCA of the reporting issuer known as Dysis Corp. KCA is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. The common shares of KCA are listed and posted for trading on the TSE under the symbol KCA. Since 1994 Yorkton has acted as underwriter in respect of several financings and private placements for KCA.

1. First KCA Special Warrant Financing

38. In early February 2000, Yorkton and KCA engaged in discussions about a possible financing of KCA. On February 10, 2000, KCA sought "price protection" from the TSE for an offering of special warrants based on the $1.37 closing price of its common shares on February 9, 2000.

39. On February 11, 2000, KCA executed an engagement agreement with Yorkton under which KCA proposed to raise $5 million by issuing 4 million special warrants priced at $1.25 each (referred to as the "SWI"). Pursuant to subsections 619(a) and (b) and 622 of the TSE Company Manual, special warrants exchangeable into listed common shares may be issued at a discount to the closing price of the common shares on the TSE on the day before the date on which price protection is sought. Each special warrant was to entitle the holder to acquire one common share of KCA and one warrant to acquire one-half of one common share at an exercise price equal to $1.75 per common share.

40. Pursuant to the engagement agreement, Yorkton was entitled to receive an underwriter's commission equal to 8% of the gross proceeds of the offering (or $400,000 in cash commission) and compensation options to acquire 400,000 units at an exercise price of $1.37 per unit. Each unit was to be exchangeable for one common share of KCA and one warrant to acquire one-half of one common share at an exercise price equal to $1.75 per common share. Yorkton did not own freely tradeable shares of KCA at this time.

41. The arrangements between Yorkton and KCA set out in the engagement agreement were confirmed in an underwriting agreement dated February 24, 2000. The financing closed on February 24, 2000.

2. Subscriptions For First KCA Special Warrants

42. During the pre-marketing of SWI, Yorkton's institutional clients expressed a greater demand for the purchase of SWI units than the proposed 4 million units. These clients were prepared to purchase close to 6.5 million KCA units.

43. Accordingly, on February 11, 2000, Yorkton received sufficient orders to purchase the special warrants that resulted in the offering being oversubscribed.

3. Yorkton's Borrowing and Short Sales1 in KCA Common Shares

44. Commencing on or about February 15, 2000, with the knowledge and approval of Paterson, Donnini began executing short sales of common shares of KCA for Yorkton's own account.

45. On or about February 17, 2000, Donnini, on behalf of Yorkton, began to borrow KCA common shares from various registered dealers. Between February 15, 2000 and February 28, 2000, Yorkton sold short for its own account approximately 355,000 common shares of KCA. These transactions were transparent to the market as Donnini traded from Yorkton's inventory account.

46. The short sales carried out prior to February 29, 2000, were effected as part of a strategy to lock in Yorkton's profits in relation to compensation options and special warrants from SWI, which could not be freely traded.

4. Second KCA Special Warrant Financing Proposal

47. On February 29, 2000, Paterson presented a financing proposal to the Chief Financial Officer of KCA. Paterson then informed Donnini on February 29, 2000 that the proposed second KCA financing was a $10 million special warrant offering at $6.75 per special warrant, and was to have a structure similar to the SWI financing. The information provided by Paterson to Donnini was not publicly available. Paterson did not instruct or direct Donnini to cease his short selling of KCA common shares on February 29, 2000. Paterson did not inform Yorkton's compliance department that KCA be placed on the grey list commencing on February 29, 2000.

48. Following receipt of information from Paterson, as described above, Donnini traded in common shares of KCA for Yorkton's account through jitney trades. By the close of business on February 29, 2000, Donnini had sold short for Yorkton's account 579,000 common shares of KCA.

49. On the morning of March 1, 2000, the CFO of KCA continued to negotiate by telephone the terms of the special warrant offering with Paterson who was in Montreal, and by mid-day, KCA had reached an agreement in principle with Yorkton in relation to the following terms of the second warrant financing (subject to board approval of KCA and negotiation of the engagement letter with Yorkton):

- the pricing of the special warrants II offering;
- the size of the special warrants II offering (including the common share purchase warrants and the exercise period and exercise price of the warrants);
- the Commission to be paid to Yorkton in respect of the special warrants II offering, and the number, exercise price and exercise period of the compensation warrants to be issued to Yorkton in respect of the underwriting.

50. On March 1, 2000 KCA sought price protection from the TSE for an offering of special warrants at $6.75 per special warrant based on the $6.90 closing price of KCA's common shares on February 29, 2000.

51. At the close of the day on March 1, 2000, the board of directors of KCA approved the second special warrant financing.

52. On March 1, 2000, Yorkton sold short for its own account a further 440,200 common shares of KCA, of which over 400,000 shares were jitneyed through another investment dealer, which had the effect of concealing Yorkton's involvement in the trade. Paterson did not take steps to restrict Donnini's trading in KCA common shares on February 29, 2000 or March 1, 2000. All of the short sales from February 29 and March 1 were made at prices in excess of the $6.75 price for the KCA SW2 warrants. By the close of trading on the TSE on March 1, 2000, Yorkton had sold short approximately 1,375,000 common shares of KCA.

53. Yorkton's "bought deal" committee approved Yorkton's participation in the second special warrants financing at about 8:00 a.m. on March 2, 2000. KCA and Yorkton then executed an engagement agreement pursuant to which KCA agreed to raise, and Yorkton agreed to underwrite, $10 million by issuing 1.483 million special warrants priced at $6.75 each. Each special warrant was to entitle the holder to acquire one common share of KCA and one warrant to acquire one-half of one common share at an exercise price equal to $7.75 per common share.

54. Pursuant to the engagement agreement, Yorkton was entitled to receive an underwriter's commission equal to 8% of the gross proceeds of the offering and compensation options to acquire 148,399 units at an exercise price of $6.90 per unit. Each unit was to be exchangeable for one common share of KCA and one warrant to acquire one-half of one common share at an exercise price equal to $7.75 per common share.

55. After Yorkton's "bought deal" committee approved the financing, KCA was placed on Yorkton's "restricted list", which was distributed by e-mail shortly before markets opened on March 2, 2000.

56. The arrangements between Yorkton and KCA set out in the engagement agreement were formalized in an underwriting agreement dated March 15, 2000. The financing closed on March 15, 2000.

57. Yorkton's retail salespersons advised Yorkton's syndication department that they had received indications of interest from sophisticated retail clients in purchasing a total of 609,500 special warrants. Retail sales were allocated 431,000 of the 1.483 million special warrants that were to be distributed. Except for some hedge fund clients, Yorkton's institutional clients were not interested in purchasing KCA units in the second warrant financing. Yorkton purchased, as principal, the remaining 650,000 special warrants at a price of $4,387,500, with the result that fewer special warrants were allocated to sophisticated retail clients.

BOOK4GOLF.COM CORPORATION

58. Book4golf.com Corporation ("Book4golf") has since September 22, 1999 been incorporated pursuant to the Canada Business Corporations Act. Book4golf is the developer and owner of Book4golf.com, an e-commerce Web portal that allows golfers to book tee times at various types of golf courses over the Internet. Book4golf is a reporting issuer in British Columbia and Ontario. The common shares of Book4golf are listed and posted for trading on the Canadian Venture Exchange ("CDNX") under the symbol BFG.

Book4golf off CDNX TRADE

59. Paterson and Yorkton played a major role in the affairs of Somerville Capital Inc. ("Somerville"), a junior capital pool ("JCP") company, and they continued to play a major role after the RTO transaction that transformed the JCP into Book4golf. Yorkton acted as underwriter and financial advisor. Paterson and other Yorkton employees were shareholders and Paterson publicly supported Book4golf. Yorkton provided research coverage on Book4golf and the Director of Research reported directly to Paterson. Yorkton was the dominant trading member firm in Book4golf shares.

60. On January 24, 2000, Book4golf opened at a price of $17.30, reached a high of $18.05 and a low of $14.00, and closed at $15.85. The following day Book4golf opened at a price of $17.00.

61. On January 24, 2000, a U.S. client of Yorkton's Chicago office wished to sell 100,000 shares of Book4golf. The Chicago office relayed the information to Donnini, the Head of Institutional Trading in Yorkton's Toronto office. Donnini approached Paterson and together they decided to offer a bid price of $13.75 per share, a 25¢ discount to the lowest transaction price on that date. Of the 100,000 Book4golf shares, Donnini purchased 25,000 Book4golf shares in his personal account and Paterson purchased the remaining 75,000 Book4golf shares through the account of his personal holding company.

62. Donnini did not report the 100,000 sale of the Book4golf shares to CDNX. The transactions were only recorded on the books and records of Yorkton on January 25, 2000 "as of January 24, 2000". The size and nature of this transaction would have depressed the market price of Book4golf if it had been placed through the facilities of the CDNX.

63. Donnini reported directly to Paterson.

64. Paterson actively traded Book4golf shares on January 24, 2000 prior to buying the 75,000 Book4golf shares.

65. From January 26, 2000 to February 18, 2000, Paterson sold 75,000 shares of Book4golf at prices ranging from $16.00 to $23.25. On a "last in, first out" basis, he made a pre-tax profit of over $400,000.

66. The position of Paterson in Book4golf is stated in the Book4golf prospectus dated December 21, 2000 as follows:

> Mr. Paterson has invested an aggregate amount of $3,120,590 in cash, directly and indirectly through his spouse, a family trust, an RRSP and a personal holding corporation, in Common Shares and Common Share purchase warrants of the Company. Based on the closing market

price of the Common shares as at December 20, 2000, Mr. Paterson has aggregate realized and unrealized losses (before income taxes) of $1,048,110 in respect of all of his direct and indirect investments in Book4golf.com including proceeds from all dispositions.

67. Donnini and Yorkton were sanctioned by the CDNX for failing to report the transaction involving the 100,000 shares of Book4golf. The settlement agreement was approved on June 4, 2001 by the Disciplinary Hearing Panel of CDNX.

STORAGE ONE INC.

1. Establishment of Storage One

68. Storage One Inc. ("Storage One") was incorporated under the Business Corporations Act (Ontario) as Storage Express Inc. on October 18, 1993 as a subsidiary of Tecmar Technologies Incorporated ("Tecmar"). Storage Express Inc. changed its name to Storage One effective November 10, 1993 and to EcomPark Inc. effective May 19, 1999.

69. Tecmar was a wholly owned subsidiary of Tecmar Technologies International Inc. As noted above in paragraph 15, Tecmar Technologies International Inc. was formerly Legacy Storage Systems International Inc. Paterson was a shareholder of Legacy Storage Systems International Inc. (and the successor companies, including Xencet) from 1995 to date, and a director of Legacy Systems International Inc. (and its successor companies) from 1995 until his resignation from the Xencet board on September 30, 1998.

70. Storage One did not carry on active business until April 14, 1997, when it acquired certain inventory, fixed assets, prepaid expenses and goodwill of the computer storage hardware business carried on by Tecmar. On the advice of Paterson to the board of Tecmar Technologies International Inc., Storage One became a separate company in April, 1997.

71. Effective August, 1997, Storage One became a reporting issuer in British Columbia, Alberta and Ontario. Effective October, 1997, the common shares of Storage One were listed and posted for trading on the Alberta Stock Exchange (as it then was) under the symbol SOJ.

2. August 18, 1997 Prospectus

72. Pursuant to a prospectus dated August 18, 1997, Storage One made an initial public offering (the August "IPO") by which it raised $800,000 by offering 3,200,000 units consisting of a common share and common share purchase warrant. The same prospectus qualified for distribution common shares and warrants issuable upon the exercise of special warrants issued in April 1997 for proceeds of $2,893,500. These investments were described in the prospectus as speculative and involving a high degree of risk.

73. As described in the prospectus under the heading "Management of Storage", each of the four managers of Storage One identified in the prospectus had held management positions with Tecmar or with its computer storage hardware business before that business was acquired by Storage One. Under the heading "Risk Factors", the prospectus stated that Storage One was substantially dependent on the services of a few key personnel, including three of the four managers identified in the prospectus. The prospectus disclosed no concerns about the quality or abilities of management.

74. The financing agreement dated April 14, 1997 between Storage One and Yorkton relating to the offering of the special warrants of Storage One (the "April Private Placement"), required Storage One to deposit into a segregated bank account the majority of the proceeds of that financing and the net proceeds of the sale of units later issued under the prospectus. These funds could be released only with the consent of two Yorkton nominees.

75. In connection with the April Private Placement, in Paterson's view these restrictions were required because Paterson had concerns in relation to management's use of funds, and management's ability to manage its cash. Paterson assumed the lead role in respect of Yorkton's underwriting of the April Private Placement and purchased $150,000 of special warrants.

76. These restrictions remained in place at the time of the August IPO, and are disclosed in the prospectus as follows:

> "Pursuant to the Underwriting Agreement, the Corporation agreed to deposit the net proceeds from the offering of Special Warrants in excess of $1,700,000, as well as the net proceeds from this Offering and from the exercise of the Warrants, the New Warrants and the Compensation Options into a segregated bank account of the Subsidiary that requires two signing officers, both of whom are nominees of Yorkton. As long as any funds remain in this bank account of the Subsidiary, the Corporation has also agreed: (i) other than certain existing liens, not to create or permit any lien, claim, security interest or other encumbrance whatsoever against or in respect of the Subsidiary; (ii) to ensure a majority of the board of directors of the Subsidiary are nominees of Yorkton; and (iii) to ensure the Subsidiary does not conduct any active business without the consent of Yorkton. The purpose of the funds deposited to the bank account of the Subsidiary is to identify and pursue future acquisition and expansion opportunities".

77. Paterson's knowledge, information and belief in respect of the management of Storage One, giving rise to the imposition and continuation of these restrictions, was not disclosed in the Storage One prospectus.

3. Paterson's Views About Management

78. In the course of a voluntary interview by staff of the CDNX held on June 6, 2000, Paterson stated that in 1997 he had serious concerns about management of Storage One and about management's use of funds when employed by Tecmar. Paterson told the CDNX that the restrictions on the proceeds of the 1997 financings were adopted for this reason. Paterson did not share these views with the Yorkton prospectus due diligence team.

79. Paterson's views concerning management of Storage One were conveyed to CDNX as follows:

- "We like to have people, particularly if we have any concerns about management, and in that case, we did, we like to have people from time to time that are there, that can keep the people involved in the file up to speed and, you know, highlight particular things that are going the wrong way";
- "I mean, our biggest concern with these guys, Killins and Sjaholm, nice guys, honest guys. Meanwhile, good plan, but it failed miserably in the previous company and we had raised, as a firm, 66 million dollars for the predecessor company, and it was humiliating for us, because it had virtually all been lost and the stock had been rolled back one for ten, and so this was kind of a last lifeblood";
- "We weren't going to let those guys squander the money like they'd squandered the 66 million";
- "You guys have blown up the previous company and…";
- "These guys had presented a business plan. We liked a lot, the prospects of what Storage One could do as a potential. We were concerned about the guys, and so we raised more money for them and did the public offering, and if they blew through the money, we weren't going to let them blow it all and take the thing to zero";
- "It was only in place because these guys had failed miserably before and we weren't prepared to let those two managers, if they failed again, use that money and squander it further".

CONDUCT CONTRARY TO THE PUBLIC INTEREST

GTI and Xencet RTO

80. Paterson's conduct in relation to the GTI and Xencet RTO was contrary to the public interest by reason of the following:

(a) Paterson played multiple roles as a director and shareholder of Xencet, as a shareholder of GTI, and as a registrant and President of Yorkton;

(b) Paterson initiated a private placement by Xencet in advance of the transaction required to meet the TSE listing requirements when Xencet had no apparent need for additional cash;

(c) Paterson caused the private placement, which was not underwritten by Yorkton, to be made available only to Paterson and two institutional clients and not to other Yorkton clients;

(d) Paterson closed the purchase of units of Xencet on May 22, 1998, having knowledge of undisclosed information in respect of the proposed RTO;

(e) Paterson purchased common shares of GTI on June 30, 1998, having knowledge of undisclosed information in respect of the proposed RTO;

(f) Paterson sold GTI shares to Jivraj on or about August 19, 1998 where, by reason of the foregoing, Paterson should not have done so. Paterson should have directed Jivraj not to purchase shares in GTI from Yorkton or any other person.

Kasten Chase

81. Paterson's conduct in relation to the second KCA financing was conduct contrary to the public interest by reason of the following:

(a) Paterson provided to Donnini undisclosed information in relation to the price and size of the proposed KCA second financing on February 29, 2000, and failed to direct or instruct Donnini to cease trading in KCA common shares commencing on February 29, 2000. Paterson further failed to notify Yorkton's compliance department that KCA be placed on the grey list commencing on February 29, 2000, having regard to the status of the negotiations between Yorkton and KCA in relation to the proposed KCA second financing.

Book4golf

82. Having regard to Paterson's multiple roles with Yorkton and Book4golf, and in relation to the purchase by Paterson of 75,000 shares of Book4golf on January 24, 2000, Paterson failed to employ prudent business practices in respect of real or potential conflicts of interest regarding his personal trading, by reason of the following:

(a) Paterson, as Donnini's supervisor, is accountable for Donnini's failure to have properly reported a transaction from which Paterson personally profited;

(b) Paterson knew or ought to have known that the Book4golf transaction had not been reported to the CDNX in light of other trades in Book4golf that Paterson made on January 24, 2000; and

(c) as the then CEO of Yorkton, Paterson failed to ensure the appearance of fair and equitable trading, having regard to the involvement of

Paterson and Yorkton in publicly supporting Book4golf and having regard to the profit made by Paterson from this transaction.

Storage One

83. Paterson's conduct was contrary to the public interest in that he failed to disclose to the Yorkton due diligence team his knowledge, information and belief relating to the quality and ability of management of Storage One. As a result of this failure, Paterson's knowledge, information and belief relating to the quality and ability of management of Storage One was not disclosed in the Storage One prospectus.

IV. POSITION OF PATERSON

84. In March 2000, Paterson initiated the hiring of Alan M. Schwartz as President of Yorkton Proprietary Assets Management Inc., a wholly owned subsidiary of Yorkton. In February 2001 Paterson and Yorkton's Executive Committee approved a change of Mr. Schwartz's duties, and requested that Mr. Schwartz, in his capacity as a director of Yorkton Financial Inc., monitor the regulatory, compliance and legal functions of Yorkton and coordinate Yorkton's response to the ongoing regulatory investigations. Paterson and Yorkton's Executive Committee endorsed a plan for Yorkton to move to adopt best practices in the area of regulatory compliance. Numerous steps have been taken in this regard.

85. Paterson has represented to Staff that he has not sold any shares of Book4golf since February 18, 2000, except that on December 29, 2000 Patstar Inc. sold and Paterson purchased 48,000 Book4golf shares at approximately the same price.

V. TERMS OF SETTLEMENT

86. Paterson agrees to the following terms of settlement:

(a) at the time of approval of this settlement agreement, Paterson will make a voluntary payment to the Commission in the amount of $1,000,000, such payment to be allocated to such third parties as the Commission may determine for purposes that will benefit Ontario investors. Paterson agrees that he is fully responsible for the voluntary payment in the amount of $1,000,000;

(b) that the Commission make an Order pursuant to clause 1 of subsection 127(1) of the Act, suspending the registration of Paterson for a period of two years effective the date of the Order of the Commission approving this Settlement Agreement;

(c) Paterson agrees that effective the date of the Order of the Commission approving this Settlement Agreement, Paterson will not be an officer or director of a registrant, for a period of two years from the date of the Commission's Order;

(d) Paterson agrees that effective the date of the Order of the Commission approving this Settlement Agreement, Paterson will not own directly or indirectly any interest in a registrant for a period of two years from the date of the Commission's Order, with the exception of Paterson's current interest in Yorkton. Paterson undertakes to take necessary and reasonable steps to sell all or a portion of his current interest in Yorkton. During the time in which Paterson owns any interest in Yorkton, for the two year period effective from the date of the Order of the Commission approving this Settlement Agreement, Paterson agrees not to exercise voting rights, control or otherwise influence or attempt to influence management of Yorkton or the affairs of Yorkton, except as may result from the aforesaid sale of his current interest. Paterson further agrees not to purchase any additional shares of Yorkton for a period of two years from the date of the Order of the Commission approving this Settlement Agreement;

(e) that the Commission make an Order pursuant to clause 2 of subsection 127(1) of the Act, effective 45 days from the date of the Order, that Paterson is prohibited from trading in securities for a period of six months, with the exception of any sale by Paterson of Paterson's current interest in Yorkton;

(f) that the Commission make an Order under subsection 127(1)(6) of the Act that Paterson be reprimanded; and

(g) that the Commission make an Order under subsection 127.1(1)(b) of the Act that Paterson make payment to the Commission in the amount of $100,000 in respect of the costs of the Commission's investigation in relation to this proceeding, such payment to be made at the time of approval of this settlement. Paterson agrees that he is fully responsible for the payment in the amount of $100,000 for costs.

VI. CONSENT

87. Paterson hereby consents to an Order of the Commission incorporating the provisions of Part V above in the form of an order attached as Schedule "A".

VII. STAFF COMMITMENT

88. If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the Securities Act, R.S.O. 1990, c. S.5 against Paterson respecting the facts set out in Part III of this Settlement Agreement, and any other matter which has come to the attention of Staff in relation to Staff's investigation of

the conduct of Paterson up to the date of this Settlement Agreement, except in relation to any matter if Staff concludes that any information provided by Paterson to Staff in relation to Staff's investigation of such matter is not accurate.

89. If Paterson reapplies for registration with the Commission at any time after 2 years from the date of the Order of the Commission approving this Settlement Agreement, Staff will not oppose Paterson's application for registration by reason only of the facts set out in this Settlement Agreement and/or the Commission's Order resulting from this Settlement Agreement.

VIII. APPROVAL OF SETTLEMENT

90. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for December 19, 2001, or such other date as may be agreed to by Staff and Paterson (the "Settlement Hearing").

91. Counsel for Staff or and counsel for Paterson may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Paterson agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

92. If this settlement is approved by the Commission, Paterson agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

93. Staff and Paterson agree that if this settlement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

94. If, for any reason whatsoever, this settlement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission;

    (a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Paterson leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Paterson;

    (b) Staff and Paterson shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by this Settlement Agreement or the settlement discussions/negotiations;

    (c) the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person except with the written consent of Staff and Paterson , or as may be required by law; and

    (d) Paterson agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of approval of this Settlement Agreement as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

IX. DISCLOSURE OF AGREEMENT

95. Except as permitted under paragraph 94 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Paterson until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission, except with the written consent of Staff and Paterson, or as may be required by law.

96. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

XI. EXECUTION OF SETTLEMENT AGREEMENT

97. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

98. A facsimile copy of any signature shall be as effective as an original signature.

DATED this 17th day of December, 2001.

_____
Witness

_____
GORDON SCOTT PATERSON

DATED this 17th day of December, 2001.
STAFF OF THE ONTARIO SECURITIES COMMISSION

(Per)_____
Michael Watson
Director, Enforcement Branch

Schedule "A"

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, as amended

AND

IN THE MATTER OF
GORDON SCOTT PATERSON

ORDER

WHEREAS on December 17, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Gordon Scott Paterson ("Paterson");

AND WHEREAS Paterson entered into a settlement agreement dated December 17, 2001 (the "Settlement Agreement") in which he agreed to a proposed settlement of the proceeding, subject to the approval of the Commission.

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission ("Staff"), and upon hearing submissions from counsel for Paterson and from Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement dated December 17, 2001, attached to this Order, is hereby approved;

2. pursuant to clause 1 of subsection 127(1) of the Act, effective the date of this Order, the registration of Paterson is suspended for a period of two years from the date of this Order;

3. pursuant to clause 2 of subsection 127(1) of the Act, effective 45 days from the date of this Order, Paterson is prohibited from trading in securities for a period of six months from the date of this Order, with the exception of any sale by Paterson of Paterson's current interest in Yorkton;

4. pursuant to subsection 127(1)(6) of the Act, Paterson is hereby reprimanded; and

5. pursuant to subsection 127.1 of the Act, at the time of approval of this settlement, Paterson is ordered to pay $100,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

DATED at Toronto this 19th day of December, 2001.

2.1.8 Northgate Exploration Limited - Rule 61-501 (Section 9.1)

Headnote

Rule 61-501 - Related party transaction - Relief from valuation requirements granted in connection with: (i) proposed special warrant offering where issuer's largest shareholder will purchase that number of securities so as to maintain its pro rata interest; and (ii) replacement of a short-term debt instrument held by largest shareholder with a longer-term convertible debt instrument - special warrant offering price to be determined by underwriters and independent directors of issuer - conversion price of new debt instrument will be at a premium to both special warrant offering price and current market price - transactions will be subject to minority shareholder approval.

Rule Cited

Rule 61-501 - Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions, ss. 5.5 and 9.1

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION RULE 61-501
("Rule 61-501")

AND

IN THE MATTER OF
NORTHGATE EXPLORATION LIMITED

Rule 61-501
(Section 9.1)

UPON the application of Northgate Exploration Limited ("Northgate") to the Director for a decision pursuant to section 9.1 of Rule 61-501 that, in connection with certain special warrant offerings and a conversion of certain indebtedness, all of which involve Trilon Financial Corporation and companies in which Trilon Financial Corporation has a significant economic interest (collectively, "Trilon") and Northgate, Northgate be exempt from section 5.5 of Rule 61-501 (the "Valuation Requirement");

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

AND UPON Northgate having represented to the Director as follows:

1. Northgate is a corporation incorporated under the laws of Ontario by Letters Patent dated January 7, 1919.

2. Northgate is a reporting issuer in each of the provinces of Canada and is not on the Commission's list of defaulting reporting issuers.

3. The authorized capital of Northgate consists of an unlimited number of Class A and Class B Preference Shares and an unlimited number of common shares. As at September 30, 2001, no preference shares and 30,231,156 common shares were issued and outstanding.

4. The common shares of Northgate are listed on The Toronto Stock Exchange (the "TSE") and are currently trading at approximately $1.35 per share.

5. Northgate is a mid-tier gold mining company with investments in North and South America. Northgate's primary asset is the Kemess Mine located in British Columbia, which produces gold and copper.

6. Trilon Financial Corporation is a finance company that provides merchant banking, asset management, corporate services, investment banking, brokerage services and commercial financing. The securities of Trilon are listed on the TSE. Trilon's principal shareholder is Brascan Corporation which owns 58% of Trilon's outstanding Class A common shares and 99.9% of its outstanding Class B common shares.

7. Trilon indirectly holds approximately 34.7% of the outstanding Northgate common shares. Consequently, Trilon is a related party of Northgate for the purposes of Rule 61-501.

8. Northgate is currently indebted to Trilon in the approximate aggregate amount of $130 million, including accrued interest (the "Trilon Debt"). This indebtedness becomes due and payable on December 31, 2001. Certain terms of the Trilon Debt were renegotiated when it initially fell due in 2000, pursuant to which Northgate has the right (subject to regulatory approval) to pay interest and principal, when due, in common shares, at a price equal to 95% of the average trading price of the common shares on the TSE for the 20 consecutive trading days prior to Northgate's notice of its intention to pay in shares. This option can be exercised only with respect to all outstanding indebtedness and notice must be given at least 30 days before maturity. As a result of the renegotiated terms, the Trilon Debt was reclassified as equity (the "Capital Securities") on Northgate's balance sheet. Earnings per share and other per share financial indicators are determined as if the Capital Securities had been converted into common shares by Northgate.

9. Northgate wishes to stabilize its capital by repaying part of the Capital Securities (between $70 and $100 million) and converting the remaining Capital Securities (between $30 and $60 million) into a convertible debenture or convertible preference shares (together, "Convertible Instrument"), convertible into common shares of Northgate at a price equal to the price at which the common shares are valued for purposes of the unit offering described below plus a standard market premium (and such price would in any case exceed the price at which the common shares of Northgate trade on the TSE as of the date of issuance of the Convertible Instrument). The Convertible Instrument would bear a maturity of five years, being significantly longer than the maturity of the Capital Securities.

10. Northgate is proposing to raise approximately $25 to $45 million by way of a unit offering (each unit consisting of one common share and one-half of a common share purchase warrant exercisable into one-half of a common share) by way of a special warrant offering or on a fully-marketed prospectus basis (the "Unit Offering"). Northgate is also contemplating making a $5 million offering of flow-through shares by way of a special warrant offering or a fully-marketed prospectus offering (the "Flow-through Offering"). The aggregate proceeds of the Unit Offering and Flow-through Offering will be used to partially repay the Capital Securities.

11. Northgate further contemplates effecting an offering of rights (the "Rights Offering") to purchase common shares to common shareholders of record on a date prior to the conversion of the special warrants or closing of the fully-marketed prospectus offerings (i.e. special warrant holders and/or unitholders and flow-through shareholders will not participate in the Rights Offering) at the same price as that attributed to the common shares under the Unit Offering. The Rights Offering will be made by way of a prospectus. The Rights Offering is currently estimated at between $30 and $60 million. Northgate intends to adjust the size of the Rights Offering based upon the level of response to the Unit Offering and Flow-through Offering such that in the aggregate, between $70 and $100 million will be raised. Trilon will exercise its rights to the extent of its proportionate interest in Northgate. Trilon will also provide a standby commitment to take up unexercised rights. The standby commitment will comply with applicable securities laws relating to rights offerings.

12. Northgate anticipates that the Unit Offering and Flow-through Offering will be conditional upon:

    (i) Northgate and Trilon agreeing to convert the unpaid portion of the Capital Securities into a Convertible Instrument with a maturity date of five years from the date of issuance;

    (ii) in connection with the Unit Offering, Trilon agreeing to purchase that number of units necessary in order to maintain its indirect interest in Northgate prior to including the Capital Securities (being 34% of the outstanding common shares);

    (iii) Northgate committing to conduct the Rights Offering; and

    (iv) Trilon providing a standby commitment for the Rights Offering.

13. As part of the Unit Offering, Trilon will purchase units to the extent of its interest in Northgate. Trilon will not participate in the Flow-through Offering. Trilon may act as underwriter in respect of the offerings (with an anticipated position of between 2.5 and 10% of the offerings), which will comply with applicable securities laws regarding conflict of interest.

14. The fair market value of the Convertible Instrument and Trilon's involvement in the Unit Offering could be more than 25% of Northgate's current market capitalization.

15. Trilon's involvement in the Rights Offering is exempt from the Valuation Requirement by virtue of Section 5.6(5) of Rule 61-501. However, no exemption from the Valuation Requirement is available in respect of:

    (i) the issuance of unit special warrants or units to Trilon in connection with the Unit Offering pursuant to Trilon's commitment to purchase that number of unit special warrants or units necessary in order to maintain its indirect interest in Northgate (without including the Capital Securities) and the issuance of units, common shares and common share purchase warrants to Trilon upon exercise of the special warrants, units and common share purchase warrants by Trilon; and

    (ii) the issuance of the Convertible Instrument to Trilon and the common shares issuable upon conversion of the Convertible Instrument.

    The transactions described in this paragraph are collectively referred to as the "Related Party Transactions".

16. Northgate will hold a meeting of its shareholders in order to seek approval of the minority shareholders of Northgate in accordance with Rule 61-501 (*i.e.* excluding Trilon and any related party of Trilon and any person or company acting jointly or in concert with such persons or companies) in respect of the Related Party Transactions.

17. The proceeds raised pursuant to the Unit Offering and Flow-through Offering will not be released to Northgate until it obtains approval of the Related Party Transactions by Northgate's minority shareholders.

18. The terms of the Unit Offering (which will determine the conversion price of the Convertible Instrument), Flow-through Offering and Rights Offering will be determined by the underwriters of such offerings and will be supervised by independent directors of Northgate.

19. A formal valuation will create additional expense which will outweigh the benefit of the information it provides, since the disclosure of the terms of the Related Party Transactions will provide the Northgate minority shareholders with the information they need to make a reasonably informed voting decision.

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

IT IS DECIDED pursuant to Section 9.1 of Rule 61-501 that, in connection with the Related Party Transactions, Northgate shall not be subject to the Valuation Requirement, provided that Northgate complies with the other applicable provisions of Rule 61-501.

October 23, 2001.

"Ralph Shay"

2.1.9 Bowridge Resource Group Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Decision under section 153 of the Act declaring a corporation to be no longer a reporting issuer following the acquisition of all of its outstanding securities by another issuer.

Applicable Alberta Statutory Provisions

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

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA AND ONTARIO

AND

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

AND

IN THE MATTER OF
BOWRIDGE RESOURCE GROUP INC.

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta and Ontario (the "Jurisdictions") has received an application from Bowridge Resource Group Inc. ("Bowridge") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that Bowridge be deemed to have ceased to be a reporting issuer under the Legislation;

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

3. **AND WHEREAS** Bowridge has represented to the Decision Makers that:

    3.1 Bowridge is a corporation incorporated under the *Business Corporations Act* (Alberta) (the "ABCA");

    3.2 the head office of Bowridge is in Calgary, Alberta;

    3.3 Bowridge is a reporting issuer in each of the Jurisdictions;

    3.4 Bowridge is not in default of any requirement under the Legislation;

3.5 the authorized capital of Bowridge consists of an unlimited number of common shares ("Common Shares");

3.6 there are 18,667,138 Common Shares outstanding;

3.7 all of the outstanding Common Shares are held by ESI Energy Services Inc. (“ESI”);

3.8 ESI acquired all of the outstanding Common Shares under an offer to purchase dated October 5, 2001 and a subsequent compulsory acquisition under the ABCA;

3.9 the Common Shares were delisted from The Toronto Stock Exchange on November 15, 2001;

4.0 no securities of Bowridge are listed on any exchange or quoted on any market;

4.1 no securities of Bowridge, including debt obligations, are currently outstanding other than the Common Shares;

4.2 Bowridge does not intend to seek public financing by way of an offering of securities;

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

5. **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;

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

January 2, 2002.

"Patricia Johnston"

2.1.10 Dia Met Minerals Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - corporation deemed to have ceased to be a reporting issuer when all of its issued and outstanding securities were acquired by another issuer.

Applicable Alberta 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 LABRADOR

AND

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

AND

IN THE MATTER OF
DIA MET MINERALS LTD.

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the “Decision Maker”) in Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland and Labrador (the “Jurisdictions”) has received an application from Dia Met Minerals Ltd. (“Dia Met”) for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that Dia Met be deemed to have ceased to be a reporting issuer under the Legislation;

2. **AND WHEREAS** under the Mutual Reliance Review System for Exemptive Relief Applications (the “System”) the Alberta Securities Commission is the principal regulator for this application;

3. **AND WHEREAS** Dia Met has represented to the Decision Makers that:

3.1 Dia Met is a British Columbia company amalgamated under the *Company Act*, R.S.B.C. 1996, c.62 (the “*Company Act*”) upon the amalgamation (the “Amalgamation) of Dia Met and Tortilla Acquisition Inc. (“Tortilla”), a wholly owned subsidiary of BHP Canadian Diamonds Company (“BHP Canada”);

3.2 Dia Met is a reporting issuer in the Jurisdictions and its head office is in Vancouver, British Columbia;

3.3 prior to the Amalgamation, the authorized capital of Dia Met consisted of 100,000,000 Class A Subordinate Voting Shares (the "Dia Met Class A Shares") and 25,000,000 Class B Multiple Voting Shares (the "Dia Met Class B Shares");

3.4 Dia Met is not in default of any of the requirements of the Legislation;

3.5 on April 12, 2001, Tortilla made a takeover bid for the purchase of all of the issued and outstanding Dia Met Class A Shares and Dia Met Class B Shares, as extended and varied by notices of extension and variation dated May 17, 2001 and June 21, 2001, respectively, expiring on July 3, 2001 (the "Offer");

3.6 the Offer resulted in the acquisition by Tortilla of 8,929,764 (or approximately 98.6%) of the Dia Met Class A Shares and 19,338,894 (or approximately 88.7%) of the Dia Met Class B Shares;

3.7 on September 20, 2001, Tortilla completed the compulsory acquisition of the remaining Dia Met Class A shares not held by it and, as of that date, has held all of the issued and outstanding Dia Met Class A Shares;

3.8 on September 13, 2001, Dia Met and Tortilla entered into an amalgamation agreement whereby the parties agreed to amalgamate under the provisions of the *Company Act* to form an amalgamated company, Dia Met;

3.9 the British Columbia Supreme Court approved the Amalgamation on October 29, 2001;

3.10 on October 30, 2001 (the "Effective Date"), the British Columbia Registrar of Companies issued a certificate of amalgamation giving effect to the Amalgamation;

3.11 on the Effective Date:

3.11.1 all of the unissued shares of each of Dia Met and Tortilla were cancelled;

3.11.2 all of the issued shares in Tortilla were exchanged for common shares of Dia Met ("Amalco Common Shares") on the basis of one Amalco Common Share for each Tortilla share;

3.11.3 the Dia Met Class A Shares and the Dia Met Class B Shares held by Tortilla were cancelled;

3.11.4 the Dia Met Class B Shares, other than those held by or on behalf of Tortilla, were exchanged for redeemable preferred shares (the "Redeemable Preferred Shares") in the capital of Dia Met, on the basis of one Redeemable Preferred Share for each Dia Met Class B Share;

3.11.5 each Redeemable Preferred Share was redeemed by Dia Met on the Effective Date;

3.12 as of October 30, 2001, BHP Canada is the sole shareholder of Dia Met;

3.13 the Dia Met Class A Shares and Dia Met Class B Shares were delisted from the American Stock Exchange on August 29, 2001, the Dia Met Class A Shares were delisted from The Toronto Stock Exchange (the "TSE") on September 14, 2001 and the Dia Met Class B Shares were delisted from the TSE on November 2, 2001. Dia Met's securities are no longer listed or quoted on any stock exchange or market;

3.14 other than the outstanding Amalco Common Shares held BHP Canada, there are no securities of Dia Met, including debt securities, outstanding;

3.15 Dia Met does not intend to seek public financing by way of an offering of its securities;

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

5. **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;

6. **THE DECISION** of the Decision Makers under the Legislation is that Dia Met is deemed to have ceased to be a reporting issuer under the Legislation effective as of the date of this Decision.

December 14, 2001.

"Patricia M. Johnston"

2.2 Orders

2.2.1 Jack Banks a.k.a. Jacques Benquesus and Larry Weltman

IN THE MATTER OF THE *SECURITIES ACT*, R.S.O. 1990, c. S.5, as amended (the "Act")

AND

IN THE MATTER OF JACK BANKS a.k.a. JACQUES BENQUESUS and LARRY WELTMAN

ORDER

WHEREAS, by Notice of Hearing dated March 30, 2001, the above-styled proceedings were commenced before the Ontario Securities Commission (the "Commission");

AND WHEREAS this matter came before the Commission on May 3, 2001 and was adjourned with the consent of counsel to Jack Banks a.k.a Jacques Bequesus and Larry Weltman (together, the "Respondents"), to August 13, 2001, to be spoken to;

AND WHEREAS this matter came before the Commission on August 13, 2001 and was adjourned with the consent of counsel to the Respondents to October 5, 2001, to be spoken to;

AND WHEREAS this matter came before the Commission on October 5, 2001 and was adjourned with the consent of counsel to the Respondents to January 3, 2002, to be spoken to;

AND WHEREAS counsel to the Respondents and Staff are agreed that a further adjournment is desirable in this matter;

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

AND WHEREAS by authorization order made March 9, 2001, pursuant to subsection 3.5(3) of the Act, the Commission authorized each of David A. Brown, Howard Wetston and Paul Moore acting alone, to exercise the powers of the Commission, subject to subsection 3.5(4) of the Act, to grant adjournments, set dates for hearings, and to hear and determine procedural matters;

IT IS HEREBY ORDERED that:

this matter be adjourned to a date to be fixed by the Secretary to the Commission.

January 2, 2002.

"Paul Moore"

2.2.2 Canadian Imperial Bank of Commerce - ss. 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 CANADIAN IMPERIAL BANK OF COMMERCE

ORDER
(Subsection 59(1) of Schedule I of the Regulation made under the Act (the "Regulation"))

UPON the application of Canadian Imperial Bank of Commerce ("CIBC"), the manager of the CIBC Managed Income Portfolio, CIBC Managed Income Plus Portfolio, CIBC Managed Balanced Portfolio, CIBC Managed Balanced Growth Portfolio, CIBC Managed Balanced Growth RRSP Portfolio, CIBC Managed Growth Portfolio, CIBC Managed Growth RRSP Portfolio, CIBC Managed Aggressive Growth Portfolio, CIBC Managed Aggressive Growth RRSP Portfolio and other similar mutual funds managed by CIBC from time to time (collectively, the "Top Funds", individually, a "Top Fund"), to the Ontario Securities Commission (the "Commission") for an Order pursuant to subsection 59(1) of Schedule I of the Regulation exempting CIBC Money Market Fund, CIBC Canadian Bond Fund, CIBC Global Bond Fund, Canadian Imperial Equity Fund, CIBC U.S. Small Companies Fund, CIBC European Equity Fund, CIBC Emerging Economies Fund, CIBC Far East Prosperity Fund, CIBC Canadian Short-Term Bond Index Fund, CIBC U.S. Equity Index Fund, CIBC U.S. Index RRSP Fund, CIBC International Index RRSP Fund, CIBC Canadian Bond Index Fund, CIBC Canadian Index Fund and such other mutual funds managed by CIBC from time to time (collectively, the "Underlying Funds, individually, an "Underlying Fund") from paying duplicate filing fees on an annual basis in respect of the distribution of units of the Underlying Funds to the Top Funds and on the reinvestment of distributions of such units.

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

AND UPON CIBC having represented to the Commission that:

1. CIBC is a Canadian chartered bank with its head office located in Toronto, Ontario, and is, or will be, the manager of the Top Funds and Underlying Funds.

2. Each of the Top Funds and Underlying Funds is or will be an open-end mutual fund trust established under the laws of the province of Ontario. Units of each of the Top Funds and Underlying Funds are or will be qualified for distribution in each of the provinces and territories of Canada under simplified prospectuses and annual information forms filed with and accepted by those jurisdictions.

3. Each of the Top Funds and Underlying Funds is or will be a reporting issuer in each of the provinces and

territories of Canada and is not or will not be in default of any requirements of the securities legislation or regulations applicable in those jurisdictions.

4. As part of its investment strategy, each Top Fund may invest all or substantially all of its assets directly in units of its corresponding Underlying Funds (the "Fund-on-Fund Investments").

5. Applicable securities regulatory approvals for the Fund-on-Fund Investments and the Top Funds' investment strategies have or will have been obtained.

6. Annually, each of the Top Funds will be required to pay filing fees to the Commission in respect of the distribution of its units 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 units in other relevant Canadian jurisdictions pursuant to applicable securities legislation in each of those jurisdictions.

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

8. 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, and (b) a distribution fee is paid by an Underlying Fund on units of the Underlying Fund purchased by the applicable Top Fund which are reinvested in additional units 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 units of the Underlying Funds to the Top Funds and distribution of the Reinvested Securities, 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 units to the Top Funds and Reinvested Securities, together with a calculation of the fees that would have been payable in the absence of this Order.

January 18, 2002.

"Paul Moore" "R. Stephen Paddon"

2.2.3 Gordon Scott Paterson - s. 127

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, as amended

AND

IN THE MATTER OF
GORDON SCOTT PATERSON

ORDER
(Section 127)

WHEREAS on December 17, 2001 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Gordon Scott Paterson ("Paterson");

AND WHEREAS Paterson entered into a settlement agreement dated December 17, 2001 (the "Settlement Agreement") in which he agreed to a proposed settlement of the proceeding, subject to the approval of the Commission.

AND WHEREAS the Commission made an Order on December 19, 2001 (the "December Order"), a true copy of which is attached hereto as Schedule "A";

AND WHEREAS paragraph 3 of the December Order contains a typographical error and should be amended to read as follows:

> Pursuant to clause 2 of subsection 127(1) of the Act, effective 45 days from the date of this Order made on December 19, 2001, Paterson is prohibited from trading in securities for a period of six months, with the exception of any sale by Paterson of Paterson's current interest in Yorkton.

AND WHEREAS Staff of the Commission and the respondent, Gordon Scott Paterson, by his counsel, consent to this Order;

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 on consent under section 127 of the Act;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. Paragraph 3 of the December Order, attached hereto as Schedule "A", be amended to read as follows:

> Pursuant to clause 2 of subsection 127(1) of the Act, effective 45 days from the date of this Order made on December 19, 2001, Paterson is prohibited from trading in securities for a period of six months, with the exception of any sale by Paterson of Paterson's current interest in Yorkton.

2. All other terms of the December Order be and hereby remain the same.

January 14, 2002.

"Howard Wetston"

Schedule "A"

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, as amended

AND

IN THE MATTER OF
GORDON SCOTT PATERSON

ORDER

WHEREAS on December 17, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Gordon Scott Paterson ("Paterson");

AND WHEREAS Paterson entered into a settlement agreement dated December 17, 2001 (the "Settlement Agreement") in which he agreed to a proposed settlement of the proceeding, subject to the approval of the Commission.

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission ("Staff"), and upon hearing submissions from counsel for Paterson and from Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement dated December 17, 2001, attached to this Order, is hereby approved;

2. pursuant to clause 1 of subsection 127(1) of the Act, effective the date of this Order, the registration of Paterson is suspended for a period of two years from the date of this Order;

3. pursuant to clause 2 of subsection 127(1) of the Act, effective 45 days from the date of this Order, Paterson is prohibited from trading in securities for a period of six months from the date of this Order, with the exception of any sale by Paterson of Paterson's current interest in Yorkton;

4. pursuant to subsection 127(1)(6) of the Act, Paterson is hereby reprimanded; and

5. pursuant to subsection 127.1 of the Act, at the time of approval of this settlement, Paterson is ordered to pay $100,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

December 19, 2001.

"Howard Wetston" "Theresa McLeod"

"Derek Brown"

2.2.4 First Commercial Bank - s. 80 Commodity Futures Act

Headnote

Section 80 of the Commodity Futures Act - relief for Schedule III bank from the requirement to register as an adviser where the performance of the service as an adviser is incidental to the principal banking business.

Statutes Cited

Commodity Futures Act, R.S.O. 1990, c.S.20, as am., section 22(1)(b) and section 80.

IN THE MATTER OF

THE COMMODITY FUTURES ACT,

R.S.O. 1990, CHAPTER S.20, AS AMENDED

AND

IN THE MATTER OF

FIRST COMMERCIAL BANK

ORDER

UPON application (the "Application") by First Commercial Bank ("First Commercial") to the Ontario Securities Commission (the "Commission") for an order pursuant to section 80 of the *Commodity Futures Act* (Ontario) (the "Act") exempting First Commercial from the requirement to obtain registration as an adviser under paragraph 22(1)(b) of the Act in connection with the banking business to be carried on by First Commercial in Ontario;

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

AND UPON First Commercial having represented to the Commission that:

1. First Commercial is a full-service commercial chartered bank under the laws of Taiwan with its head office in Taipei, Taiwan.

2. First Commercial is not, and has no current intention of becoming, a reporting issuer in any Province of Canada, nor are its securities listed on any stock exchange in Canada.

3. In June of 1999 amendments to the Bank Act were proclaimed that permit commercial banks to establish direct branches in Canada. These amendments have created a new Schedule III listing foreign banks permitted to carry on banking through branches in Canada.

4. First Commercial received an order dated October 10, 2001 under the Bank Act permitting it to establish a full service foreign bank branch in Canada and designated it on Schedule III thereto.

5. First Commercial will establish and commence business as a foreign bank branch under the Bank Act. The head office of First Commercial in Canada will be located in Vancouver, British Columbia.

6. The operation of First Commercial's foreign bank branch will be primarily comprised of corporate banking and mortgage lending services.

7. In connection with its foreign bank branch operations in Canada, First Commercial will only accept deposits from the following:

   (a) Her Majesty in right of Canada or in right of a province or territory, an agent of Her Majesty in either of those rights and includes a municipal or public body empowered to perform a function of government in Canada, or an entity controlled by Her Majesty in either of those rights;

   (b) the government of a foreign country or any political subdivision thereof, an agency of the government of a foreign or any political subdivision thereof, or an entity that is controlled by the government of a foreign country or any political subdivision thereof;

   (c) an international agency of which Canada is a member, including an international agency that is a member of the World Bank Group, the Inter-American Development Bank, the Asian Development Bank, the Caribbean Development Bank and the European Bank for Reconstruction and Development and any other international regional bank;

   (d) a financial institution (i.e.: (a) a bank or an authorized foreign bank under the Bank Act; (b) a body corporate to which The Trust and Loan Companies Act (Canada) applies; (c) an association to which the *Cooperative Credit Association Act* (Canada) applies; (d) an insurance company or a fraternal benefit society to which the *Insurance Companies Act* (Canada) applies; (e) a trust, loan or insurance corporation incorporated by or under an Act of the legislature of a province or territory in Canada; (f) a cooperative credit society incorporated and regulated by or under an Act of the legislature of a province or territory in Canada; (g) an entity that is incorporated or formed by or under an Act of Parliament or of the legislature of a province or territory in Canada and that is primarily engaged in dealing in securities, including portfolio management and investment counselling, and is registered to act in such capacity under the applicable Legislation; and (h) a foreign institution that is (i) engaged in the banking, trust, loan or insurance business, the business of a cooperative credit society or the business of dealing in securities or is otherwise engaged primarily in the business of providing

financial services, and (ii) is incorporated or formed otherwise than by or under an Act of Parliament or of the legislature of a province or territory in Canada);

(e) a pension fund sponsored by an employer for the benefit of its employees or employees of an affiliate that is registered and that has total plan assets under administration of greater than $100 million;

(f) a mutual fund corporation that is regulated under an Act of the legislature of a province or territory in Canada or under the laws of any other jurisdiction and that has total assets under administration of greater than $10 million;

(g) an entity (other than an individual), that for the fiscal year immediately preceding the initial deposit, had gross revenues on its own books and records of greater than $5 million; or

(h) any other person if the trade is in a security which has an aggregate acquisition cost to the purchaser of greater than $150,000;

8. Paragraph 31(a) of the Act refers to a bank listed on Schedule I or II of the Bank Act in connection with the exemption from the adviser registration requirement; however no reference is made in the Act to entities listed on Schedule III to the Bank Act.

9. In order to ensure that First Commercial, as an entity listed on Schedule III to the Bank Act, is able to provide banking services to businesses in Ontario, it requires the same exemptions as other federally regulated banks to the extent that the current exemptions in the Act applicable to Schedule I and II banks are relevant to the business being undertaken by First Commercial in Ontario.

10. First Commercial will be performing certain foreign exchange and trade finance advisory services in connection with its principal banking business in Canada.

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

IT IS RULED pursuant to section 80 of the Act that upon the establishment by First Commercial of a branch designated in Schedule III of the Bank Act, First Commercial is exempt from the requirement of paragraph 22(1)(b) of the Act where the performance of the service as an adviser is solely incidental to First Commercial's principal banking business.

January 18, 2002.

"Paul Moore" "R. Stephen Paddon"

2.3 Rulings

2.3.1 High Income Principal Assured Yield Securities Corporation - ss. 74(1) and ss. 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
R.R.O. 1990, REGULATION 1015, AS AMENDED
(the "Regulation")

AND

IN THE MATTER OF
HIGH INCOME PRINCIPAL ASSURED YIELD SECURITIES CORPORATION

RULING AND EXEMPTION
(Subsection 74(1) of the Act and Subsection 59(1) of Schedule I of the Regulation)

UPON the application of High Income Principal Assured Yield Securities Corporation (the "Company") to the Ontario Securities Commission (the "Commission") for

(i) a ruling, pursuant to subsection 74(1) of the Act, that the writing of certain over-the-counter covered call options and cash covered put options (collectively, the "OTC Options") by the Company is not subject to section 25 and 53 of the Act; and

(ii) an exemption, pursuant to subsection 59(1) of Schedule I of the Regulation ("Schedule I"), from the requirement to pay the fees required by subsection 28(2) of Schedule I in respect of any OTC Option written by the Company pursuant to this ruling;

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

AND UPON the Company having represented to the Commission as follows:

1. The Company is a mutual fund corporation incorporated under the Business Corporations Act (Ontario) on December 7, 2001. Lawrence Asset Management Inc. is the Company's manager (the "Manager"), as such term is defined in subsection 1.1 of National Instrument 81-102 Mutual Funds ("NI 81-102").

2. The Company is a "mutual fund" as such term is defined in subsection 1(1) of the Act.

3. The Company filed a preliminary prospectus (the "Preliminary Prospectus") with respect to the initial public offering of its Preferred Shares and Equity Shares (the "Offering") dated December 20, 2001 with the Commission and with the securities regulatory authorities in each of the other provinces of Canada under SEDAR Project No. 411240. A decision document for the Preliminary Prospectus was issued under Part XV of the Act by the Director on December 21, 2001.

4. Simultaneously with the closing of the Offering, the Company will also complete a private placement of Subordinate Shares to the Manager. The proceeds from the sale of the Subordinate Shares will be invested in the Managed Equity Portfolio (as defined below) of the Company.

5. Lawrence Decter Investment Counsel Inc. (the "Investment Manager") will act as the Company's "portfolio adviser" as such term is defined in subsection 1(1) of NI 81-102. The Investment Manager is registered under the Act as an advisor in the categories of "investment counsel" and "portfolio manager".

6. The Company's investment objectives are:

   (a) to provide holders of the Preferred Shares with (i) fixed, preferential, cumulative monthly cash dividends in the amount of 1/12 of $1.3375 per Preferred Share or 5.35% of the original investment amount of $25.00 per Preferred Share, per annum, and, to the extent possible, to pay such dividends as capital gains dividends; and (ii) on or about July 31, 2008 (the "Termination Date"), to pay such holders, in priority to the holders of the Equity Shares and Subordinate Shares, $25.00 for each Preferred Share held on the Termination Date;

   (b) to provide holders of the Equity Shares (i) on a pro rata, per share basis with the holders of the Subordinate Shares, with regular monthly cash dividends targeted to be 1/12 of $1.70 per Equity Share or 8.50% of the original investment amount of $20.00 per Equity Share, per annum, and, to the extent possible, to pay such dividends as capital gains dividends; (ii) on a pro rata, per share basis with the holders of the Subordinate Shares, a special cash dividend on the last day of March in each fiscal year equal to the aggregate amount, if any, by which the net realized capital gains, dividends, interest income and option premiums (other than option premiums in respect of options outstanding at year-end) earned on the Managed Equity Portfolio (as defined below), net of expenses, taxes and loss carry-forwards, exceeds the amount of monthly dividends paid on the Preferred Shares, Equity Shares and Subordinate Shares during such fiscal year, less the Performance Distribution (as defined in the Preliminary Prospectus) payable to the Manager on the Subordinate Shares, and, to the extent possible, to pay such special cash dividends as capital gains dividends; (iii) on or about the Termination Date, to pay such holders, in priority to the holders of the Subordinate Shares but

after returning the original investment amount of $25.00 per Preferred Share to holders thereof, $20.00 for each Equity Share held on the Termination Date; and (iv) on or about the Termination Date, to pay such holders, on a pro rata, per share basis with the holders of the Subordinate Shares, the assets of the Company remaining after making provision for the Company's liabilities, returning the original investment amount per share to the holders of Preferred Shares, Equity Shares and Subordinate Shares and paying the Capital Appreciation Distribution (as defined in the Preliminary Prospectus), if any, to the Manager on the Subordinate Shares; and

(c) to provide the holders of the Subordinate Shares (i) on a pro rata, per share cash basis with the holders of the Equity Shares, with regular monthly cash dividends targeted to be 1/12 of $1.70 per Subordinate Share or 8.50% of the original investment amount per Subordinate Share, per annum, and, to the extent possible, to pay such dividends as capital gains dividends; (ii) on a pro rata, per share basis with the holders of the Equity Shares, a special cash dividend on the last day of March in each fiscal year equal to the aggregate amount, if any, by which the net realized capital gains, dividends, interest income and option premiums (other than option premiums in respect of options outstanding at year-end) earned on the Managed Equity Portfolio (as defined below), net of expenses, taxes and loss carry-forwards, exceeds the amount of monthly dividends paid on the Preferred Shares, Equity Shares and Subordinate Shares during such fiscal year, less the Performance Distribution (as defined in the Preliminary Prospectus) payable to the Manager on the Subordinate Shares, and, to the extent possible, to pay such special cash dividends as capital gains dividends; (iii) on or about the Termination Date, to pay such holders after returning the original investment amount per share on the Preferred Shares and the Equity Shares, $20.00 for each Subordinate Share held on the Termination Date; and (iv) on or about the Termination Date, to pay such holders, on a pro rata, per share basis with the holders of the Equity Shares, the assets of the Company remaining after making provision for the Company's liabilities, returning the original investment amount per share to the holders of the Preferred Shares, Equity Shares and Subordinate Shares and paying the Capital Appreciation Distribution, if any, to the Manager on the Subordinate Shares.

7. The Company will use a specified percentage, as will be disclosed in the final prospectus (the "Prospectus"), of the gross proceeds of the Offering and sale of the Subordinate Shares to the Manager, to acquire certain Canadian equity securities (the "Preferred Repayment Portfolio"). To provide the Company with the means to return the original investment amount per Preferred Share on the Preferred Shares, the Company will enter into a forward purchase and sale agreement pursuant to which the counterparty will agree to pay to the Company, on the Termination Date, $25.00 for each Preferred Share outstanding on the Termination Date in exchange for the Company agreeing to deliver to the counterparty on the Termination Date, Canadian equity securities held in the Preferred Repayment Portfolio.

8. To achieve the Company's dividend and capital appreciation objectives, the proceeds of the Offering and the sale of the Subordinate Shares to the Manager, net of Offering expenses and the amount used to acquire the Preferred Repayment Portfolio, will be invested in a diversified portfolio (the "Managed Equity Portfolio") consisting principally of securities issued by companies which form part of the S&P/TSE 60 Index or the Standard & Poor's 500 Composite Stock Price Index.

9. To generate additional returns above the net capital gains, dividends and interest income earned on the Managed Equity Portfolio, the Company will, from time to time, write covered call options in respect of all or part of the securities in the Managed Equity Portfolio and write cash covered put options on securities in which the Company is permitted to invest. Such options may be either exchange traded options or over-the-counter options.

10. The writing of covered call options will be managed by the Investment Manager in a manner consistent with the investment objectives of the Company. The individual securities in the Managed Equity Portfolio that are subject to the OTC Options, and the terms of such OTC Options, will vary from time to time based on the Investment Manager's assessment of the markets.

11. OTC Options will be written by the Company only in respect of securities held in the Managed Equity Portfolio.

12. One of the restrictions on the Company's investment activities, as disclosed in the Preliminary Prospectus and as will be disclosed in the Prospectus, prohibits the Company from selling securities held in the Managed Equity Portfolio that are subject to an outstanding OTC Option.

13. At no time will the Company write OTC Options for the purpose or as a means of raising new capital.

14. The purchasers of OTC Options written by the Company will generally be the major Canadian financial institutions described in Appendix "A" attached to this ruling and exemption.

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 the writing of OTC Options by the Company, as contemplated by this ruling, is not subject to sectinos 25 and 53 of the Act, provided that

(a) the portfolio advisor advising the Company with respect to such activities is registered as an advisor under the Act and meets the proficiency requirements in Ontario for advising with respect to such OTC Options,

(b) each purchaser of an OTC Option written by the Company is a person or company described in Appendix "A" to this ruling and exemption, and

(c) a receipt for the Prospectus of the Company is issued or has been issued by the Director under the Act;

AND PURSUANT to section 59 of Schedule I, the Company is hereby exempted from the fees that would otherwise be payable pursuant to subsection 28(2) of Schedule I, in connection with the OTC Options written by the Company in reliance upon the above ruling.

January 18, 2002.

"Paul Moore" "R. Stephen Paddon"

APPENDIX "A"

QUALIFIED PARTIES

Interpretation

(1) The terms "subsidiary" and "holding body corporate" used in paragraphs (w), (x) and (y) of subsection (3) of this Appendix have the same meaning as they have in the Business Corporations Act (Ontario).

(2) All requirements contained in this Appendix that are based on the amounts shown on the balance sheet of an entity apply to the consolidated balance sheet of the entity.

Qualified Parties Acting as Principal

(3) The following are qualified parties for all OTC derivatives transactions, if acting as principal:

Banks

(a) A bank listed in Schedule I, II or III to the Bank Act (Canada).

(b) The Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada).

(c) A bank subject to the regulatory regime of a country that is a member of the Basel Accord, or that had adopted the banking and supervisory rules set out in the Basel Accord, if the bank has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Credit Unions and Caisses Populaires

(d) A credit union central, federation of caisses populaires, credit union or regional caisse populaire, located, in each case, in Canada.

Loan and Trust Companies

(e) A loan corporation or trust corporation registered under the Loan and Trust Corporations Act (Ontario) or under the Trust and Loan Companies Act (Canada), or under comparable legislation in any other province or territory of Canada.

(f) A loan company or trust company subject to the regulatory regime of a country that is a member of the Basel Accord, or that has adopted the banking and supervisory rules set out in the Basel Accord, if the loan company or trust company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Insurance Companies

(g) An insurance company licensed to do business in Canada or a province or territory of Canada.

(h) An insurance company subject to the regulatory regime of a country that is a member of the Basel Accord, or that has adopted the banking and supervisory rules set out in the Basel Accord, if the insurance company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Sophisticated Entities

(i) A person or company that, together with its affiliates,

(i) has entered into one or more transactions involving OTC derivatives with counterparties that are not its affiliates, if

(A) the transactions had a total gross dollar value of or equivalent to at least $1 billion in notional principal amount; and

(B) any of the contracts relating to one of these transactions was outstanding on any day during the previous 15-month period, or

(ii) had total gross marked-to-market positions of or equivalent to at least $100 million aggregated across counterparties, with counterparties that are not its affiliates in one or more transactions involving OTC derivatives on any day during the previous 15-month period.

Individuals

(j) An individual who, either alone or jointly with the individual's spouse, has a net worth of at least $5 million, or its equivalent in another currency, excluding the value of his or her principal residence.

Governments/Agencies

(k) Her Majesty in right of Canada or any province or territory of Canada and each crown corporation, instrumentality and agency of a Canadian federal, provincial or territorial government.

(l) A national government of a country that is a member of the Basel Accord, or that has adopted the banking and supervisory rules of the Basel Accord, and each instrumentality and agency of that government or corporation wholly-owned by that government.

Municipalities

(m) Any Canadian municipality with a population in excess of 50,000 and any Canadian provincial or territorial capital city.

Corporations and other Entities

(n) A company, partnership, unincorporated association or organization or trust, other than an entity referred to in paragraph (a), (b), (c), (d), (e), (f), (g) or (h), with total revenue or assets in excess of $25 million or its equivalent in another currency, as shown on its last financial statement, to be audited only if otherwise required.

Pension Plan or Fund

(o) A pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission, if the pension fund has total net assets, as shown on its last audited balance sheet, in excess of $25 million, provided that, in determining net assets, the liability of a fund for future pension payments shall not be included.

Mutual Funds and Investment Funds

(p) A mutual fund or non-redeemable investment fund if each investor in the fund is a qualified party.

(q) A mutual fund that distributes its securities in Ontario, if the portfolio manager of the fund is registered as an adviser, other than a securities adviser, under the Act or securities legislation elsewhere in Canada.

(r) A non-redeemable investment fund that distributes its securities in Ontario, if the portfolio manager of the fund is registered as an adviser, other than a securities adviser, under the Act or securities legislation elsewhere in Canada.

Brokers/Investment Dealers

(s) A person or company registered under the Act or securities legislation elsewhere in Canada as a broker or an investment dealer or both.

(t) A person or company registered under the Act as an international dealer if the person or company has total assets, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Futures Commission Merchants

(u) A person or company registered under the Commodity Futures Act (Ontario) as a dealer in the category of futures commission merchant, or in an equivalent capacity elsewhere in Canada.

Charities

(v) A registered charity under the Income Tax Act (Canada) with assets not used directly in charitable activities or administration, as shown on its last audited balance sheet, of at least $5 million or its equivalent in another currency.

Affiliates

(w) A wholly-owned subsidiary of any of the organizations described in paragraph (a), (b), (c), (d), (e), (f), (g), (h), (j), (n), (o), (s), (t) or (u).

(x) A holding body corporate of which any of the organizations described in paragraph (w) is a wholly-owned subsidiary.

(y) A wholly-owned subsidiary of a holding body corporate described in paragraph (x).

(z) A firm, partnership, joint venture or other form of unincorporated association in which one or more of the organizations described in paragraph (w), (x) or (y) have a direct or indirect controlling interest.

Guaranteed Party

(aa) A party whose obligations in respect of the OTC derivatives transaction for which the determination is made is fully guaranteed by another qualified party.

Qualified Party Not Acting as Principal

(4) The following are qualified parties, in respect of all OTC derivative transactions:

Managed Accounts

1. Accounts of a person, company, pension fund or pooled fund trust that are fully managed by a portfolio manager or financial intermediary referred to in paragraphs (a), (d), (e), (g), (s), (t), (u) or (w) of subsection (3) or a broker or investment dealer acting as a trustee or agent for the person, company, pension fund or pooled fund trust under section 148 of the Regulation.

Subsequent Failure to Qualify

(5) A party is a qualified party for the purpose of any OTC derivatives transaction if it, he or she is a qualified party at the time it, he or she enters into the transaction.

Chapter 3

Reasons: Decisions, Orders and Rulings

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

This Page Intentionally left blank

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
Java Joe's International Corporation	14 Aug 01	24 Aug 01	27 Aug 01	28 Dec 01
ATC Technologies Corporation	30 Nov 01	12 Dec 01	12 Dec 01	
Dynasty Motorcar Corporation	30 Nov 01	12 Dec 01	12 Dec 01	
Rodin Communications Corporation	3 Dec 01	14 Dec 01	14 Dec 01	
Marketvision Direct, Inc.	5 Dec 01	17 Dec 01	17 Dec 01	
Glimmer Resources Inc.	6 Dec 01	18 Dec 01	18 Dec 01	
MTW Solutions Online Inc.	7 Dec 01	19 Dec 01	19 Dec 01	
Big Hammer Group Inc.	7 Dec 01	19 Dec 01	21 Dec 01	
Atapa Minerals Limited	11 Dec 01	21 Dec 01	21 Dec 01	
Gearunlimited.com Inc.	14 Dec	24 Dec 01	28 Dec 01	
Cambium Limited Partnership No. Two	2 Jan 02	14 Jan 02	14 Jan 02	
1080854 Ontario Limited	3 Jan 02	15 Jan 02	15 Jan 02	
Digital Duplication Inc.	4 Jan 02	16 Jan 02	18 Jan 02	
Monarch Resources Limited	8 Jan 02	18 Jan 02	18 Jan 02	
Goldbrook Explorations Inc.	9 Jan 02	21 Jan 02		23 Jan 02
Elkhorn Gold Mining Corporation	11 Jan 02	23 Jan 02	23 Jan 02	
CTM Cafes Inc.	18 Jan 02	30 Jan 02		
M.L. Class Petroleum Corporation	21 Jan 02	01 Feb 02		
Firstlane Inc.	22 Jan 02	01 Feb 02		
Meadowvale Gardens Apartment Project - Phase I	22 Jan 02	01 Feb 02		

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	Date of Issuer Temporary Order
Dotcom 2000 Inc.	29 May 01	11 Jun 01	11 Jun 01	-	23 Jul 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. Link Mineral Ventures Ltd. Nord Pacific Limited	30 May 01	12 Jun 01	12 Jun 01	-	23 Jul 01
Landmark Global Financial Corp.	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	-	23 Jul 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	23 Aug 01	-
United Trans-Western, Inc.	05 Jul 01	18 Jul 01	19 Jul 01	-	23 Jun 01
Digital Duplication Inc.	10 Jul 01	23 Jul 01	23 Jul 01	23 Aug 01	-
Online Direct Inc.	22 Aug 01	04 Sep 01	04 Sep 01	-	18 Oct 01
Aquarius Coatings Inc.	23 Aug 01	05 Sep 01	06 Sep 01	9 Oct 01	-
Primenet Communications Inc.	29 Aug 01	11 Sep 01	11 Sep 01	-	26 Oct 01
Unirom Technologies Inc.	30 Aug 01	12 Sep 01	12 Sep 01	-	19 Oct 01
Zaurak Capital Corporation	30 Aug 01	12 Sep 01	12 Sep 01	28 Sep 01	-
Galaxy Online Inc.	14 Sep 01	27 Sep 01	-	27 Sep 01	27 Sep 01
Consumers Packaging Inc.	19 Sep 01	25 Sep 01	25 Sep 01	31 Oct 01	-
Diadem Resources Ltd.	23 Oct 01	5 Nov 01	5 Nov 01	17 Dec 01	-
Armistice Resources Limited	21 Nov 01	04 Dec 01	4 Dec 01	18 Jan 02	-
CTM Cafes Inc.	23 Nov 01	06 Dec 01	6 Dec 01	-	18 Jan 02
Titan Employment Services Ltd.	27 Nov 01	10 Dec 01	-	10 Dec 01	-
RX Neutriceuticals Corp.	29 Nov 01	12 Dec 01	-	12 Dec 01	-
Explorers Alliance Corporation	7 Dec 01	20 Dec 01	20 Dec 01	-	-

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
World Sales & Merchandising Inc.	27 Dec 01	9 Jan 02	9 Jan 02		

4.3.1 Lapsed Cease Trading Orders

Company Name	Date of Lapse/Expire
Image Sculpting International Inc.	20 Dec 01
Marine Mining Corp.	21 Dec 01
Goldbrook Explorations Inc.	23 Jan 02

This Page Intentionally left blank

Chapter 5

Rules and Policies

5.1.1 Notice of Amendments to NP 43-201 MMRS for Prospectuses and AIFs

NOTICE OF AMENDMENTS TO

NATIONAL POLICY 43-201

MUTUAL RELIANCE REVIEW SYSTEM FOR PROSPECTUSES AND ANNUAL INFORMATION FORMS

The Commission, together with the other members of the Canadian Securities Administrators ("CSA"), has amended National Policy 43-201 Mutual Reliance Review System for Prospectuses and Annual Information Forms (the "National Policy"). The amendments to the National Policy (the "Amendments") will come into force on January 25, 2002. Comments are not being sought on the Amendments as they are not material in nature.

The National Policy outlines the mutual reliance review system ("MRRS") for prospectuses (including long form, short form and mutual fund prospectuses), prospectus amendments, waiver applications, pre-filings, and initial and renewal annual information forms.

When the National Policy was adopted, it was expected that Appendix A to the National Policy would be amended from time to time to conform to changes in documents required to be filed and delivered.

The objective of the MRRS is to reduce unnecessary duplication in the review of materials filed in multiple jurisdictions and constitutes an important step towards increasing harmonization across the CSA. The CSA is currently exploring other initiatives in the furtherance of this objective. In the interim, the CSA is making the current Amendments to update and enhance the efficiency of the MRRS.

Substance and Purpose of Amendments to the National Policy

The purpose of the Amendments is to update the National Policy in light of the adoption on December 31, 2000 of National Instrument 44-101, Short Form Prospectus Distributions, National Instrument 44-102, Shelf Distributions, BC Policy 41-601 Prospectus Filing Requirements, Ontario Securities Commission Rule 41-501, General Prospectus Requirements and Policy Statement Q-28, General Prospectus Requirements of the Commission des valeurs mobilières du Québec (collectively the "new prospectus rules").

The Amendments also reflect the CSA's experience in applying the principles of mutual reliance since its adoption. For example, procedures relating to the review of prospectus amendments have been changed slightly and offerings that involve a novel structure or a novel issue are now specifically addressed.

Summary of Amendments

Procedures for a novel structure or a novel issue

The Amendments specifically provide for and describe a procedure for an offering that involves a novel structure or a novel issue where the principal regulator chooses to involve the non-principal regulators in the formulation and resolution of comments. They also allow for the prescribed review periods to be altered as a result of the complexity of the structure or issue.

These specific provisions in fact formalize a procedure that was being followed by principal regulators since the adoption of the National Policy. They permit all regulators to participate actively in the comment process, while maintaining the principles of mutual reliance in all other respects. For example, the filer will continue to deal with the principal regulator only and a MRRS decision document will be issued to evidence the receipt of those regulators that have not opted out of MRRS.

The CSA is of the view that the interests of filers are better served when securities regulatory authorities cooperate in the formulation and resolution of comments in situations where the structure or issue is novel. This promotes consistent treatment of filers in Canada.

Review procedures for prospectus amendments

Certain changes have been made to the review procedures for amendments to preliminary and final prospectuses. Under the amended National Policy, the principal regulator reviews the materials and issues a comment letter. The non-principal regulators then advise the principal regulator of any material concerns that would cause the non-principal regulator to opt out of the MRRS. This procedure reflects more closely the mutual reliance approach.

Holidays

The Amendments describe the procedure followed by a principal regulator in issuing a MRRS decision document on a day when a non-principal regulator is closed. The principal regulator will issue a MRRS decision document evidencing the receipt of non-principal regulators that are open on the date of the MRRS decision document. The principal regulator will issue a MRRS decision document evidencing the receipt of the remaining non-principal regulators on the next day that the non-principal regulators are open. Dealers will only be able to solicit expressions of interest in a non-principal jurisdiction at such time as a MRRS decision document evidencing the receipt of the relevant non-principal regulator has been issued.

Similarly, an issuer will only be able to distribute its securities in the non-principal jurisdiction at that time.

Appendix A
Appendix A to the National Policy has been amended to update the filing and delivery requirements for each category of filing as a result of the implementation of the new prospectus rules.

Other

In response to comments received from filers, amendments are made to Sections 7.2, 7.4, 10.2 and 10.6 of the National Policy such that a filer may make confirmations on the basis of its best knowledge and belief.

The following amendments have been made to the National Policy to include provisions that were inadvertently omitted at the time of adoption of the National Policy. Paragraph (3) has been added to Section 10.6 of the National Policy. This paragraph is similar to the provisions in Sections 7.4 and 7.9 and indicates that for New Brunswick, Prince Edward Island, Yukon Territory, Northwest Territories and Nunavut, silence will imply consent and the principal regulator will be able to issue a MRRS decision document on that basis. Paragraph (4)(c) of Section 10.6 has been amended so that the filer will confirm, in the case of an amendment that describes the removal of an underwriter, that at least one underwriter that has signed the certificate is registered or has been exempted from the requirement to be registered. This wording conforms with the confirmation presently required in Section 7.4(4)(c).

Questions may be referred to any of:

Marcine Renner
British Columbia Securities Commission
(604) 899-6711 or (800) 373-6393 (in B.C.)
mrenner@bcsc.bc.ca

Mavis Legg
Alberta Securities Commission
(403) 297- 2663
mavis.legg@seccom.ab.ca

Ian McIntosh
Saskatchewan Securities Commission
(306) 787-5867
imcintosh@ssc.gov.sk.ca

Bob Bouchard
Manitoba Securities Commission
(204) 945-2555
bbouchard@gov.mb.ca

Rick Whiler
Ontario Securities Commission
(416) 593-8127
rwhiler@osc.gov.on.ca

Rosetta Gagliardi
Commission des valeurs mobilières du Québec
(514) 940-2199 ext 4554
rosetta.gagliardi@cvmq.com

Bill Slattery
Nova Scotia Securities Commission
(902) 424-7355
slattejw@gov.ns.ca

January 25, 2002.

5.1.2 National Policy 43-201 Mutual Reliance Review System for Prospectuses and AIFs

NATIONAL POLICY 43-201
MUTUAL RELIANCE REVIEW SYSTEM FOR PROSPECTUSES AND AIFS

TABLE OF CONTENTS

NATIONAL POLICY 43- 201

MUTUAL RELIANCE REVIEW SYSTEM FOR PROSPECTUSES AND ANNUAL INFORMATION FORMS

PART 1 OVERVIEW AND APPLICATION

1.1 **Scope** - This Policy describes the practical application of mutual reliance concepts set out in the MRRS MOU relating to the filing and review of prospectuses, including mutual fund and shelf prospectuses, amendments to prospectuses, annual information forms and related materials.

1.2 **Objective** - Under the MRRS, a designated securities regulatory authority or regulator, as applicable, acts as the principal regulator for all materials relating to a filer. This will enable participating principal regulators to develop greater familiarity with their respective filers, which will enhance the efficiency and quality of their review of materials filed under the MRRS.

1.3 **Application of Local Requirements** - Although the filer will generally deal only with its principal regulator in connection with materials filed under the MRRS, the local securities legislation and local securities directions in each jurisdiction in which the materials are filed are applicable to the materials.

PART 2 DEFINITIONS AND INTERPRETATION

2.1 **Definitions**- In this Policy,

«amendment» means an amendment to a preliminary prospectus or prospectus;

«application» means a request for discretionary relief from or approval under securities legislation or securities directions, but does not include a waiver application or pre-filing;

«applications policy» means National Policy 12-201 Mutual Reliance Review System for Exemptive Relief Applications;

«CSA committee» means the Mutual Reliance Review System Committee of the Canadian Securities Administrators;

«initial AIF» means an annual information form filed by a filer in order to qualify for the short form prospectus system;

«local securities directions» means, for the local jurisdiction, the instruments listed in Appendix A of National Instrument 14-101 Definitions opposite the name of the local jurisdiction;

«local securities legislation» means, for the local jurisdiction, the statute and other instruments listed in Appendix B of National Instrument 14-101 Definitions opposite the name of the local jurisdiction;

«local securities regulatory authority» means, for the local jurisdiction, the securities commission or similar regulatory authority listed in Appendix C of National Instrument 14-101 Definitions opposite the name of the local jurisdiction;

«long form prospectus» includes a simplified prospectus and annual information form for a mutual fund;

«materials» means the documents and fees referred to in Appendix «A» to this Policy, as amended from time to time, for each category of filing;

«MRRS MOU» means the Memorandum of Understanding relating to the Mutual Reliance Review System signed as of October 14, 1999;

«NI 44-101» means National Instrument 44-101, Short Form Prospectus Distributions;

«NI 81-101" means National Instrument 81-101, Mutual Fund Prospectus Disclosure;

«OSC 41-501» means Ontario Securities Commission Rule 41-501, General Prospectus Requirements;

«pre-filing» means a consultation with one or more of the securities regulatory authorities regarding the interpretation or application of securities legislation or securities directions to a particular transaction or proposed transaction that is the subject of, or is referred to in, materials, if the consultation is initiated before the filing of those materials;

«preliminary prospectus amendment» means an amendment to a preliminary prospectus;

«preliminary prospectus amendment MRRS decision document» means a MRRS decision document issued for a preliminary prospectus amendment;

«prospectus amendment» means an amendment to a prospectus;

«prospectus amendment MRRS decision document» means a MRRS decision document issued for a prospectus amendment;

«Q-28» means Policy Statement No. Q-28, General Prospectus Requirements of the Commission des valeurs mobilières du Québec;

«renewal AIF» means an annual information form that is not an initial AIF, filed by a filer in order to continue to qualify for the short form prospectus system;

«renewal shelf prospectus» means a short form prospectus that is prepared and filed in accordance with the shelf prospectus system to replace a short form prospectus previously filed by the issuer under the shelf prospectus system for which a final receipt or final MRRS decision document was issued;

«requested regulator» means a participating principal regulator, other than the principal regulator determined in accordance with section 3.2, which a filer requests under subsection 3.4 to act as its principal regulator;

«seasoned prospectus» means a pro forma or preliminary prospectus of an issuer, if it is filed within two years of the date that a final MRRS decision document, or receipt, was issued to the issuer for a prospectus;

«securities directions» means the instruments listed in Appendix A of National Instrument 14-101 Definitions;

«securities legislation» means the statutes and other instruments listed in Appendix B of National Instrument 14-101 Definitions;

«securities regulatory authorities» means the securities commissions and similar regulatory authorities listed in Appendix C of National Instrument 14-101 Definitions;

«SEDAR» has the meaning ascribed to that term in National Instrument 13-101 System for Electronic Document Analysis and Retrieval;

«shelf prospectus system» means the system for the distribution of securities using a shelf prospectus as contemplated in National Instrument 44-102, Shelf Distributions;

«short form prospectus system» means the system for the distribution of securities as contemplated in NI 44-101; and

«waiver application» means a request for discretionary relief from securities legislation or securities directions, if the relief, if granted, would be evidenced by the issuance of a MRRS decision document under this Policy.

2.2 **Interpretation** - Unless otherwise defined herein, terms used in the Policy that are defined or interpreted in the MRRS MOU should be read in accordance with the MRRS MOU.

PART 3 PRINCIPAL REGULATOR

3.1 **Participating Principal Regulators** - As of the date of this Policy, the securities regulatory authorities of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec and Nova Scotia have agreed to act as principal regulator for materials filed under this Policy.

3.2 **Determination of Principal Regulator**

(1) It is the responsibility of the filer to determine its principal regulator. Unless changed or redesignated under section 3.3, 3.4 or 3.5, the principal regulator for a filer is determined in accordance with the following criteria:

(a) For filers, other than mutual funds, whose head office is in a jurisdiction in which a participating principal regulator is located, the principal regulator is the local securities regulatory authority or regulator in the jurisdiction in which the head office is located.

(b) For filers, other than mutual funds, whose head office is not in a jurisdiction in which a participating principal regulator is located, the filer can select a participating principal regulator as its principal regulator, if the filer has a reasonable connection with the jurisdiction in which the selected principal regulator is located.

(c) For filers that are mutual funds whose manager's head office is in a jurisdiction in which a participating principal regulator is located, the principal regulator is the local securities regulatory authority or regulator in the jurisdiction in which the manager's head office is located.

(d) For filers that are mutual funds whose manager's head office is not in a jurisdiction in which a participating principal regulator is located, the filer can select a participating principal regulator as its principal regulator, if the filer has a reasonable connection with the jurisdiction in which the selected principal regulator is located.

(2) For a particular filing of materials, if the filer has incorrectly identified a non-principal regulator as the principal regulator, that non-principal regulator will decline to act as principal regulator and will notify the filer.

(3) The principal regulator determined in accordance with section 3.2 is the principal regulator for all materials filed under this Policy unless the principal regulator has been changed under section 3.3, 3.4 or 3.5.

3.3 **Automatic Change of Principal Regulator** - If the location of the head office of the filer or in the case of a mutual fund, the manager, is changed after the determination of the principal regulator in accordance with section 3.2, the principal regulator will change automatically to the local securities regulatory authority or regulator in the jurisdiction to which the head office has been moved if the new head office is in a jurisdiction in which a participating principal regulator is located. In all other circumstances the principal regulator can only be changed in accordance with section 3.4 or 3.5.

3.4 **Discretionary Change of Principal Regulator Applied for by Filer**

(1) A filer may apply for a change of principal regulator if it believes that its principal regulator is not the appropriate principal regulator. However, a change of a filer's principal regulator based on factors other than the head office criteria set out in section 3.2 will generally not be permitted unless exceptional circumstances justify the change. The factors that may be considered in assessing an application for a change of a filer's principal regulator include

(a) location of management,

(b) location of assets and operations, and

(c) location of filer's trading market or quotation system in Canada, or, if the filer's securities are not traded or quoted on a trading market or quotation system in Canada, location of filer's securityholders.

(2) If a filer applies for a change of its principal regulator, the application should be submitted in paper form to the principal regulator and the requested regulator at least thirty days in advance of any filing of materials under this Policy to permit adequate time for staff of the relevant securities regulatory authorities to consider and resolve the application. If the application is not resolved before the date of any filing of materials, the principal regulator will continue to act as principal regulator for that filing, and the change requested, if granted, will relate to materials filed after the issuance of the final MRRS decision document.

(3) The application should address the basis for the designation of the filer's principal regulator in accordance with section 3.2, and should set forth the reasons for the requested regulator to act as principal regulator with regard to the factors specified in subsection (1) and any other relevant factors. The filer will be given an opportunity to respond to concerns or comments raised by the relevant securities regulatory authorities.

(4) If an application is denied, the principal regulator will provide written reasons for the denial to the filer.

3.5 **Discretionary Change of Principal Regulator Proposed by the Participating Principal Regulators**

(1) The participating principal regulators may determine that it would be preferable for a participating principal regulator other than the securities regulatory authority acting as principal regulator to act as a filer's principal regulator. This determination will generally only be made if changing the principal regulator of a filer would result in greater administrative and regulatory efficiencies with regard to the factors specified in subsection 3.4(1) and other relevant factors. The participating principal regulators will not redesignate a filer's principal regulator after materials have been filed and before a final MRRS decision document has been issued for the materials.

(2) If the participating principal regulators propose to change a filer's principal regulator, the principal regulator will notify the filer in writing of the proposed change, and will identify the reasons for the proposed change. The redesignated principal regulator will become the filer's principal regulator thirty days after the date of the notice unless the filer objects in writing to the proposed change. The filer, the principal regulator and the proposed principal regulator will attempt to resolve any objections raised by the filer to the proposed change.

3.6 **Notification to CSA Committee of Discretionary Change of Principal Regulator** - The participating principal regulators involved in an application or proposal to change a filer's principal regulator will advise the CSA committee of all decisions rendered under sections 3.4 or 3.5 and the reasons for the decisions.

3.7 **Effect of Change of Principal Regulator**

(1) A change of principal regulator under section 3.3, 3.4 or 3.5 applies for all materials filed under this Policy after the change.

(2) If the circumstances relevant to the determination of the principal regulator change after the date of any filing of materials and before a final MRRS decision document is issued relating to those materials, the principal regulator will act as principal regulator for that filing, and the change of principal regulator will relate to materials filed after the issuance of the final MRRS decision document.

3.8 **Identification of New Principal Regulator** - At the time of the first filing following a change of principal regulator, the filer should identify the new principal regulator in the cover page information for the SEDAR filing and indicate that this is a change from the previous filing. The filer should also update its SEDAR filer profile to identify the new principal regulator and include the basis for the change of principal regulator.

PART 4 FILING MATERIALS UNDER THE MRRS

4.1 **Election of MRRS and Identifying Principal Regulator** - The filer should indicate in the cover page information for the SEDAR filing its principal regulator and that it is electing to file materials under the MRRS. The filer should also identify its principal regulator and the basis for the determination in its SEDAR filer profile. If a filer's principal regulator is determined in accordance with paragraph 3.2(1)(b) or 3.2(1)(d), the filer should provide a description of the factors connecting the filer to the jurisdiction of the principal regulator it has selected. If applicable, the filer should provide the date of the change in circumstances resulting in an automatic change of principal regulator under section 3.3 or of a decision under section 3.4 or 3.5 changing the principal regulator.

4.2 **Filing** - If a filer proposes to distribute its securities by prospectus only to purchasers in jurisdictions

other than the jurisdiction in which its principal regulator is located, the materials, including the required fees, should also be filed with the principal regulator, and will be reviewed by the principal regulator. This will enable participating principal regulators to maintain familiarity with their respective filers.

4.3 **Black-lined Document** - Except in the case of short form prospectuses, it is strongly recommended that a filer file through SEDAR a draft prospectus or draft initial AIF (the French language version, in Quebec), black lined to show changes, as far as possible in advance of filing final materials. This black lined version is in addition to the black lined version of the final prospectus or initial AIF to be filed with the final materials.

4.4 **Seasoned Prospectuses**

(1) If appropriate, a filer may identify a prospectus being filed as a seasoned prospectus. When a seasoned prospectus is filed it should be accompanied by a copy of the seasoned prospectus black lined against the preceding prospectus of the filer to show all changes made. The prospectus should be accompanied by a certificate of the filer. The certificate should certify that the black lined prospectus indicates all differences between the content of the seasoned prospectus and that of the previous prospectus of the filer.

(2) If a filing is made under this section, the principal regulator will advise the non-principal regulators when the comment letter is issued that the prospectus is being reviewed as a seasoned prospectus. The non-principal regulators will then assume that the principal regulator has conducted only a limited review of the prospectus unless the contrary is specifically stated.

(3) The procedures set out in this section do not apply to filings made under NI 81-101.

PART 5 REVIEW OF MATERIALS

5.1 **Review by Principal Regulator** - The principal regulator is responsible for reviewing all materials in accordance with the local securities legislation and local securities directions of the jurisdiction in which the principal regulator is located, and in accordance with its review procedures, analysis and precedents. The principal regulator will be responsible for issuing and resolving comments on materials and issuing the MRRS decision document once the relevant conditions have been satisfied. While the non-principal regulators may review the materials and will advise the principal regulator of any material concerns relating to the materials that, if left unresolved, would cause the non-principal regulators to opt out of the MRRS, the filer will generally deal solely with the principal regulator.

5.2 **Review Period for Long Form Prospectuses, Renewal Shelf Prospectuses and Initial AIFs**

(1) A principal regulator that has implemented a system of selective review will, within three working days of the date of the preliminary MRRS decision document or receipt of the initial AIF materials or the pro forma materials, notify the non-principal regulators if the designated level of review to be given to the materials is a basic review.

(2) If a principal regulator that has implemented a system of selective review selects materials for either full review or issue-oriented review, or a principal regulator does not have a system of selective review, the principal regulator will use its best efforts to review the materials and issue a comment letter within 10 working days of the date of the preliminary MRRS decision document or receipt of the initial AIF materials or the pro forma materials.

(3) Each non-principal regulator will, within five working days of the date of receipt of the comment letter of the principal regulator, use its best efforts to

(a) advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS; or

(b) indicate in the SEDAR «Filing Status» screen that it is clear to receive final materials, if there are no outstanding applications or waiver applications that have been filed with the non-principal regulators.

(4) For materials that have been selected for basic review, the non-principal regulators will, within 6 working days of being notified that the materials have been selected for basic review, use their best efforts to comply with paragraphs (3)(a) or (3)(b), as appropriate.

5.3 **Review Period for Short Form Prospectuses**

(1) The principal regulator will use its best efforts to review materials relating to a preliminary short form prospectus and issue a comment letter within three working days of the date of the preliminary MRRS decision document. Each non-principal regulator will, by 12:00 noon, Eastern time, on the working day following the date of issuance of the comment letter of the principal regulator, use its best efforts to

(a) advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS; or

(b) indicate in the SEDAR «Filing Status» screen that it is clear to receive final materials, if there are no outstanding applications that have been filed with the non-principal regulators.

(2) Despite the foregoing, if, in the opinion of the principal regulator, a proposed distribution by way of short form prospectus is too complex to be reviewed adequately within the prescribed time periods, the principal regulator may determine that the time periods applicable to long form prospectuses should apply, and the principal regulator will, within one working day of the filing of the preliminary short form prospectus, so notify the filer and the non-principal regulators. The filer is encouraged to submit a pre-filing to resolve any issues that may cause a delay in the prescribed time periods.

5.4 **Novel Structure or Issue** - If a prospectus is filed for an offering that involves a novel structure or novel issue and the issues were not resolved in a pre-filing with the relevant regulators, the principal regulator may establish a cooperative review process actively involving the non-principal regulators in formulating and resolving the comments. The principles of mutual reliance, in all other respects, will continue to apply . The complexity of the structure or the issue may affect the prescribed review periods.

5.5 **Form of Response** - The filer should provide to the principal regulator written responses to the comment letter issued by the principal regulator.

5.6 **Review of Renewal AIFs**

(1) A renewal AIF will be filed with the principal regulator and non-principal regulators when it is deemed to be filed under National Instrument 13-101 System for Electronic Document Analysis and Retrieval.

(2) A renewal AIF may be reviewed by the principal regulator at any time after notice has been given. If the principal regulator decides to review the renewal AIF, it will notify the filer and the non-principal regulators through SEDAR and by facsimile.

(3) Each non-principal regulator will, within five working days of the date of the receipt of the comment letter of the principal regulator, use its best efforts to:

(a) advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS; or

(b) indicate in the SEDAR «Filing Status» screen that it is clear to receive final materials.

(4) As soon as practicable after the review of the renewal AIF has been completed, the principal regulator will notify the filer that the review has been completed by issuing a MRRS decision document. The MRRS decision document will evidence that the review of the renewal AIF has been completed by the regulator in each jurisdiction in which the renewal AIF was filed and where the regulator has not opted out of the MRRS for the materials.

(5) A MRRS decision document will only be issued for those renewal AIFs that were subject to review and will contain the following legend:

This mutual reliance decision document evidences that reviews by the regulators in each of (name of each jurisdiction in which materials have been filed and where the regulator has not opted out of the MRRS for the materials) have been completed.

(6) If, after the principal regulator notifies the filer that its renewal AIF will be reviewed and before the principal regulator has notified the issuer that the review has been completed, the filer files a preliminary short form prospectus, both the filer's preliminary short form prospectus and its renewal AIF will be reviewed at the same time in accordance with the time limits applicable to the review of a short form prospectus. In that case, comments arising in the course of the review of the renewal AIF will be taken into account during the review of the preliminary short form prospectus. The principal regulator will issue a notice that it has completed the review of the renewal AIF before, or concurrently with, issuing the final MRRS decision document for the short form prospectus.

(7) A filer that intends to file a preliminary short form prospectus within 10 days of filing its renewal AIF should notify the principal regulator of this intention at the time of filing its renewal AIF or, if the decision is not yet made at that time, then immediately upon making the decision.

(8) If the principal regulator receives a notice of a filer's intention to file a preliminary short form prospectus, it will notify the filer as soon as practicable if it intends to review the filer's renewal AIF. In that case, the filer's preliminary short form prospectus and its renewal AIF will be reviewed in accordance with the procedures set out in subsection (6). The accelerated review procedure will not be extended to a filer if any of the securities regulatory authorities consider that the filer has abused or is abusing the provision. For example, a local securities regulatory authority may consider it abusive if a filer gives notice and no short form prospectus is filed.

PART 6 OPTING OUT

6.1 **Opting Out** - A non-principal regulator can opt out of the MRRS for a filing at any time before the principal regulator issues a final MRRS decision document for the materials. The non-principal regulator will provide notice of its decision to opt out to the filer, the principal regulator and the other non-principal regulators by indicating «MRRS - Opt Out» in the SEDAR «Filing Status» screen. The non-principal regulator will at that time provide written reasons for its decision to opt out of the MRRS to the filer via SEDAR. The non-principal regulator that has opted out will also advise the principal regulator and the other non-principal regulators of its reasons for opting out. The filer will deal directly with the non-principal regulator that has opted out to resolve any outstanding issues. Reasons for opting out will be forwarded to the CSA committee.

6.2 **Opting Back In** - If the filer and the non-principal regulator are able to resolve their outstanding issues before the principal regulator issues the final MRRS decision document, the non-principal regulator may opt back in to the MRRS by notifying the principal regulator, all other non-principal regulators and the filer by indicating «MRRS - Opt Back In - Clear for Final» in the SEDAR «Filing Status» screen.

PART 7 MRRS DECISION DOCUMENT

7.1 **Effect of MRRS Decision Document** - The MRRS decision document evidences that a determination on materials has been made by the principal regulator and the non-principal regulators that have not opted out of the MRRS for the materials.

7.2 **Conditions to Issuance of Preliminary MRRS Decision Document** - The principal regulator will issue a preliminary MRRS decision document if

1. the principal regulator has determined that acceptable materials have been filed;

2. the filer has confirmed to the principal regulator in a letter accompanying the materials that, to the best of its knowledge and belief:

   (a) materials, including all required translations, have been filed with all non-principal regulators that have not opted out of the MRRS for the materials,

   (b) in respect of each jurisdiction in which the materials are filed, the filer has filed or delivered all documents required to be filed or delivered under the local securities legislation and is not subject to a cease trade order issued by a local securities regulatory authority,

   (c) in each jurisdiction in which the securities will be offered to purchasers, at least one underwriter that has signed the certificate is registered, or has filed an application for registration or an application for exemptive relief from the requirement to be registered. If none of the underwriters that has signed the certificate are registered in a jurisdiction in which the distribution is being made but one of the underwriters has filed an application for registration or an application for exemptive relief from the requirement to be registered, that underwriter will file an undertaking with the principal regulator not to solicit in that jurisdiction until the registration or exemption has been obtained, and

   (d) in the case of distributions to be effected by the filer, the filer is registered in each jurisdiction in which the securities will be offered to purchasers, or has filed an application for registration. If the filer has filed an application for registration in a jurisdiction, the filer will file an undertaking with the principal regulator not to solicit in that jurisdiction until the registration is obtained.

7.3 **Form of Preliminary MRRS Decision Document**- The preliminary MRRS decision document for a preliminary prospectus will contain the following legend:

This preliminary mutual reliance review system decision document evidences that preliminary receipts of the regulators in each of (name of each jurisdiction in which materials have been filed and where the regulator has not opted out of the MRRS for the materials) have been issued.

7.4 **Conditions to Issuance of Final MRRS Decision Document for Long Form Prospectus, Renewal Shelf Prospectus and Initial AIF** - The principal regulator will issue a final MRRS decision document for a long-form prospectus, a renewal shelf prospectus or an initial AIF if

1. the statutory waiting period, being the interval of at least ten days, between the issuance of a MRRS decision document for preliminary materials and final materials, if applicable, has expired;

2. all non-principal regulators, other than the regulators in New Brunswick, Prince Edward Island, the Yukon Territory, the Northwest Territories and Nunavut, have indicated in the SEDAR «Filing Status» screen that they are «Clear for Final» or have opted out of the MRRS for the filing by indicating «MRRS - Opt Out» in the SEDAR «Filing Status» screen;

3. the principal regulator has determined that acceptable materials have been filed,

4. the filer has confirmed to the principal regulator in a letter accompanying the materials that, to the best of its knowledge and belief:

   (a) materials, including all required translations, have been filed with all non-principal regulators that have not opted out of the MRRS for the materials,

   (b) in respect of each jurisdiction in which the materials are filed, the filer has filed or delivered all documents required to be filed or delivered under the local securities legislation and is not subject to a cease trade order issued by a local securities regulatory authority,

   (c) in each jurisdiction in which the securities will be offered to purchasers, at least one underwriter that has signed the certificate is registered or has been exempted from the requirement to be registered;

   (d) in the case of distributions to be effected by the filer, the filer is registered in each jurisdiction in which the securities will be offered to purchasers; and

   (e) except with respect to an initial AIF, all necessary relief from applicable securities legislation or securities directions has been applied for and granted by the principal regulator and non-principal regulators.

7.5 **Conditions to Issuance of Final MRRS Decision Document for Short Form Prospectus** -The principal regulator will issue a final MRRS decision document for a short form prospectus if the conditions specified in section 7.4, other than subsection 7.4(1), have been met and at least two working days have elapsed from the date of the preliminary MRRS decision document.

7.6 **Form of Final MRRS Decision Document**

(1) The final MRRS decision document for a prospectus will contain the following legend:

This final mutual reliance review system decision document evidences that final receipts of the regulators in each of (name of each jurisdiction in which materials have been filed and where the regulator has not opted out of the MRRS for the materials) have been issued.

(2) The final MRRS decision document for an initial AIF will contain the following legend:

This final mutual reliance review system decision document evidences that notices of acceptance of the regulators in each of (name of each jurisdiction in which materials have been filed and where the regulator has not opted out of the MRRS for the materials) have been issued.

7.7 **Local Decision Document** - Despite the issuance of the MRRS decision document, certain non-principal regulators will issue concurrently their own decision documents for materials. In the case of materials filed for a proposed distribution of securities, it is not necessary for a filer to obtain a copy of the local decision document before commencing the distribution of its securities.

7.8 **Holidays** – The principal regulator will issue a MRRS decision document evidencing the receipt of non-principal regulators that are open on the date of the MRRS decision document. The principal regulator will issue a MRRS decision document evidencing the receipt of the remaining non-principal regulators on the next day that the non-principal regulators are open.

7.9 **Material Issues Raised Late**

(1) «Material issue» means a potential receipt refusal issue raised by the principal regulator as a result of its review of the materials or raised by the filer as a result of changes made by the filer after a non-principal regulator is clear for final.

(2) If a material issue is raised after a non-principal regulator has indicated that it is clear for final, the principal regulator may determine that it is not prepared to issue a final MRRS decision document unless such non-principal regulator provides reconfirmation that it is clear for final materials. The principal regulator will submit through SEDAR under «Memo to Regulators - Reconfirmation Requested» a letter identifying the new material issue. The filer should encourage the non-principal regulators to respond to the correspondence of the principal regulator. A non-principal regulator, other than the regulators in New Brunswick, Prince Edward Island, the Yukon Territory, the Northwest Territories and Nunavut, that does not provide reconfirmation within five days is considered to have opted out of MRRS.

7.10 **Refusal by Principal Regulator to Issue a Receipt or Notice of Acceptance**

(1) If the principal regulator refuses to issue a receipt or notice of acceptance, as the case may be, for materials and therefore refuses to issue a MRRS decision document, it will notify the filer and the non-principal regulators by sending a refusal letter through SEDAR, and the MRRS will no longer apply to the filing. In these circumstances, the filer will deal separately with the local securities regulatory authority in each jurisdiction in which the materials were filed, including the principal regulator, to determine if the local securities regulatory authority or regulator in those jurisdictions will issue a local decision document. Filers are cautioned that, once the MRRS is no longer applicable to the materials, each non-principal regulator may

conduct its own comprehensive review of the materials.

(2) To the extent the issues that gave rise to the refusal to issue a MRRS decision document are resolved to the satisfaction of all parties, the filer may request that the MRRS apply once again to the materials.

7.11 **Right to be Heard Following a Refusal** - If a filer requests a hearing for a refusal by the principal regulator to issue a receipt, the principal regulator will promptly advise the non-principal regulators of the request. The principal regulator will generally hold the hearing, either solely or together with other interested non-principal regulators. The non-principal regulators may make whatever arrangements they consider appropriate, including conducting hearings.

PART 8 APPLICATIONS

8.1 **Applications** - In many instances, certain exemptive relief is required by a filer to enable a filing of materials or to facilitate a distribution of securities under materials filed. The following guidelines may assist a filer in ensuring that the review of materials is not unduly delayed if there is a concurrent application that is not subject to Part 9:

1. The principles of mutual reliance are available to govern the review and disposition of applications that are made in multiple jurisdictions. If the application is to be filed under the MRRS, it should be filed under the applications policy.

2. If the relief requested in the application is a condition to the issuance of a MRRS decision document and if the application is not filed in a timely manner, the issuance of the MRRS decision document may be delayed. In this regard, if an application is filed under the MRRS, filers are referred to the time periods for processing applications as contained in the applications policy.

3. If an application is filed, the filer should indicate in the SEDAR cover page information for the related filing of materials under the field «Application for Exemption Order in», those jurisdictions in which the application is being made. The filer should also indicate in a cover letter accompanying the application that there is a related filing of materials that has either been filed or will be filed.

PART 9 PRE-FILINGS AND WAIVER APPLICATIONS

9.1 **General**

(1) The principles of mutual reliance are available to govern the review of pre-filings and waiver applications that are made in more than one jurisdiction. There may be pre-filings and waiver applications where a formal order is required in some jurisdictions while the issuance of a receipt will evidence the required relief in other jurisdictions. This difference among the jurisdictions may create ambiguity about whether a particular pre-filing or waiver application should be made under this policy or the applications policy. In order to free the process of ambiguity, Appendix B contains examples of applications that are dealt with under this Policy.

(2) If the filer does not require exemptive relief in the jurisdiction of its principal regulator, the filer should select the participating principal regulator in the jurisdiction with which the filer has the next most significant connection to act as the principal regulator for the purposes of the pre-filing or waiver application.

(3) In a letter accompanying materials filed, the filer should describe the subject matter of any pre-filings or waiver applications made to the non-principal regulators and the disposition thereof by the non-principal regulators.

(4) If the resolution of a pre-filing or waiver application is a condition precedent to the issuance of either a preliminary or final MRRS decision document, filers are reminded to file the pre-filing or waiver application sufficiently in advance of the filing of the related materials to avoid any delay in the issuance of the MRRS decision document.

(5) Different review procedures apply to those pre-filings and waiver applications filed under the MRRS that are routine and those that raise novel and substantive issues.

(6) If a pre-filing or waiver application has been filed, the filer should indicate in the SEDAR cover page information for the related filing of materials under the field «Pre-filing or Waiver Application», those jurisdictions in which the pre-filing or waiver application has been made. The filer should also indicate in a cover letter accompanying the pre-filing or waiver application that there is a related filing of materials that has either been filed or will be filed.

9.2 **Procedure for Routine Pre-Filings and Waiver Applications** - Except as provided in section 9.3, a pre-filing or waiver application made under the MRRS should be submitted to the principal regulator in the form required by the principal regulator, and the filer will deal directly with the principal regulator to resolve the pre-filing or waiver application.

9.3 **Procedure for Novel and Substantive Pre-Filings and Waiver Applications**

(1) If the principal regulator determines that a pre-filing or waiver application filed, or to be filed, under the MRRS involves a novel and

substantive issue or raises a novel public policy concern

(a) the principal regulator will direct the filer to submit the pre-filing or waiver application in written form to the principal regulator and the non-principal regulators;

(b) each non-principal regulator will be given five working days from the date of their receipt of the pre-filing or waiver application to forward to the principal regulator and the other non-principal regulators substantive issues that may, if left unresolved, cause the non-principal regulator to opt out of the disposition of the pre-filing or waiver application; and

(c) the principal regulator will notify all non-principal regulators of its proposed disposition of the pre-filing or waiver application and will give each non-principal regulator a reasonable period of time to advise the principal regulator of its disagreement with the proposed disposition of the pre-filing or waiver application before notifying the filer of the disposition. The principal regulator will advise the filer that the disposition of the pre-filing or waiver application represents the disposition by all non-principal regulators other than those that advised the principal regulator of their disagreement with the disposition within the specified period of time. If a non-principal regulator disagrees with the disposition, the filer should deal directly with that non-principal regulator to resolve the pre-filing or waiver application.

(2) In circumstances where it is apparent to the filer that a proposed pre-filing or waiver application contains a novel public policy issue, the filer is encouraged, for the purpose of accelerating the resolution of the pre-filing or waiver application, to send the pre-filing or waiver application in written form to the non-principal regulators contemporaneously with submitting it to the principal regulator.

9.4 **Filing of Related Materials** - For any materials filed under the MRRS to which a pre-filing or waiver application relates, the filer should include in the cover letter accompanying the materials a description of the subject matter of the pre-filing or waiver application, including the relevant provisions of the securities legislation and securities directions of the principal regulator and each non-principal regulator and the proposed disposition of the pre-filing or waiver application by the principal regulator and, if applicable, any non-principal regulator that disagreed with the disposition by the principal regulator and had an alternative disposition of the pre-filing or waiver application. In the case of a waiver application, the filer should identify the other non-principal regulators from which the requested relief is also needed.

9.5 **Effect of Related MRRS Decision Document** - In the case of a waiver application, the filer should include in the cover letter referred to in section 9.4 a request that the non-principal regulators grant the discretionary relief requested from the principal regulator. The final MRRS decision document will evidence that the principal regulator and the non-principal regulators that have not opted out have granted the discretionary relief requested in the waiver application. The securities regulatory authorities of certain jurisdictions will also issue their own local decision documents.

PART 10 AMENDMENTS

10.1 **Filing of Amendments**

(1) Amendment materials should be filed with the principal regulator and the non-principal regulators in accordance with Part 4 of this Policy.

(2) The Securities Act (Québec) provides that the Commission des valeurs mobilières du Québec must decide to issue or to refuse to issue a receipt for a prospectus amendment, other than a prospectus relating to a continuous distribution, within two working days of filing of the prospectus amendment. If a filer wishes to apply the MRRS to a prospectus amendment, other than a prospectus amendment relating to a continuous distribution that is also filed in the province of Québec, it should include in the cover letter accompanying the prospectus amendment materials statements that

(a) it acknowledges that the Commission des valeurs mobilières du Québec may be unable to issue a receipt within two working days of the date of receipt of the prospectus amendment and specifically waives any rights it may have to have a receipt issued by the Commission des valeurs mobilières du Québec within that time frame; and

(b) it undertakes to the Commission des valeurs mobilières du Québec that it will cease the distribution of its securities in Quebec until the prospectus amendment MRRS decision document is issued.

(3) If the filer does not include the statements referred to in subsection (2) in the cover letter accompanying the prospectus amendment materials, the MRRS will not apply to that filing.

(4) Filers are reminded that local securities legislation in other jurisdictions contain restrictions on distributing securities until the prospectus amendment MRRS decision

document is issued, as discussed in section 10.9.

10.2 **Conditions to Issuance of MRRS Decision Document for Preliminary Prospectus Amendments** - The principal regulator will issue a preliminary prospectus amendment MRRS decision document if

1. the principal regulator has determined that acceptable materials have been filed;

2. the filer has confirmed to the principal regulator in a letter accompanying the materials that, to the best of its knowledge and belief:

   (a) materials, including all required translations, have been filed with all relevant non-principal regulators that have not opted out of the MRRS for the materials;

   (b) in respect of each jurisdiction in which the materials are filed, the filer has filed or delivered all documents required to be filed or delivered under the local securities legislation and is not subject to a cease trade order issued by a local securities regulatory authority; and

   (c) if the amendment reflects the removal of an underwriter, the filer has confirmed to the principal regulator that in each jurisdiction in which the securities will be offered to purchasers, at least one underwriter that has signed the certificate is registered, or has filed an application for registration or an application for exemptive relief from the requirement to be registered. If none of the underwriters that has signed the certificate are registered in a jurisdiction in which the distribution is being made but one of the underwriters has filed an application for registration or an application for exemptive relief from the requirement to be registered, that underwriter will file an undertaking with the principal regulator not to solicit in that jurisdiction until the registration or exemption has been obtained.

10.3 **Form of MRRS Decision Document for Preliminary Prospectus Amendments**

(1) The securities legislation and securities directions in force in certain jurisdictions require that a receipt be issued for a preliminary prospectus amendment. The securities legislation and securities directions in force in other jurisdictions do not require that a receipt be issued, and it has been the administrative practice to issue a notice of acceptance of filing for the preliminary prospectus amendment. For the purposes of this Policy, a preliminary prospectus amendment MRRS decision document will evidence that, if applicable, the required receipts or notices of acceptance of filing have been issued by the principal regulator and the non-principal regulators.

(2) The preliminary prospectus amendment MRRS decision document will contain the following legend:

This mutual reliance review system decision document evidences that receipts or notices of acceptance of filing of the regulators in each of (name of each jurisdiction in which materials have been filed and where the regulator has not opted out of the MRRS for the materials) have been issued.

10.4 **Review Period for Preliminary Prospectus Amendments**

(1) If a preliminary prospectus amendment is filed before the principal regulator issues its comment letter relating to the preliminary prospectus materials, the principal regulator may be unable to complete its review of the preliminary materials and issue its comment letter within the time periods indicated in sections 5.2 and 5.3, as applicable. In this case, the principal regulator will use its best efforts to issue its comment letter on the later of the date that is five working days after the filing of the amendment and the original due date for the comment letter.

(2) If a preliminary prospectus amendment for a preliminary long form prospectus is filed after the principal regulator has issued its comment letter

   (a) the principal regulator will use its best efforts to review the materials and issue a comment letter within three working days of the date of the preliminary prospectus amendment MRRS decision document; and

   (b) the non-principal regulators will use their best efforts to advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS within the later of

      (i) two working days of the date of receipt of the comment letter of the principal regulator relating to the amendment; and

      (ii) the expiry of the time period indicated in section 5.2 for review by the non-principal regulator of the preliminary materials.

(3) If a preliminary prospectus amendment for a preliminary short form prospectus is filed after the principal regulator has issued its comment letter

   (a) the principal regulator will use its best efforts to review the materials and issue a

comment letter within two working days of the date of the preliminary prospectus amendment MRRS decision document; and

(b) the non-principal regulators will use their best efforts to advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS within the later of

(i) by 12:00 noon, Eastern time, on the working day following the date of issuance of the comment letter of the principal regulator relating to the prospectus amendment, and

(ii) the expiry of the time period indicated in section 5.3 for review by the non-principal regulator of the preliminary materials.

(4) The time periods in subsections (2) and (3) may not apply in certain circumstances if it would be more appropriate for the principal regulator and the non-principal regulators to review the amendment materials at a different stage of the review process. For example, the principal regulator and the non-principal regulators may wish to defer review of the amendment materials until after receiving and reviewing the filer's responses to comments already issued in respect of the preliminary materials.

10.5 **Review Period for Prospectus Amendments**

(1) If a prospectus amendment to a long form prospectus, including a prospectus for a mutual fund, is filed, the principal regulator will use its best efforts to review the materials and to issue a comment letter within three working days of the date of the receipt of the prospectus amendment, and the non-principal regulators will use their best efforts to advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS within two working days of the date of the issuance of the comment letter of the principal regulator.

(2) If a prospectus amendment to a short form prospectus is filed, the principal regulator will use its best efforts to review the materials and to issue a comment letter within two working days of the date of the receipt of the prospectus amendment, and the non-principal regulators will use their best efforts to advise the principal regulator of any material concerns with the materials that, if left unresolved, would cause the non-principal regulator to opt out of the MRRS by 12:00 noon, Eastern time, on the working day following the date of issuance of the comment letter of the principal regulator.

10.6 **Conditions to Issuance of Prospectus Amendment MRRS Decision Document** - The principal regulator will issue a prospectus amendment MRRS decision document if

1. all comments raised have been resolved to the satisfaction of the principal regulator and, if applicable, any non-principal regulator that has not opted out of the MRRS for the materials;

2. the principal regulator has determined that acceptable materials have been filed;

3. all non-principal regulators, other than the regulators in New Brunswick, Prince Edward Island, the Yukon Territory, the Northwest Territories and Nunavut, have indicated in the SEDAR «Filing Status» screen that they are «Clear for First Amendment to Final» (or «Clear for Second Amendment to Final» or «Clear for Third Amendment to Final» as applicable) or have opted out of the MRRS for the filing by indicating «MRRS - Opt Out» in the SEDAR «Filing Status» screen;

4. the filer has confirmed to the principal regulator in a letter accompanying the materials that, to the best of its knowledge and belief :

(a) materials, including all required translations, have been filed with all non-principal regulators that have not opted out of the MRRS for the materials;

(b) in respect of each jurisdiction in which the materials are filed, the filer has filed or delivered all documents required to be filed or delivered under the local securities legislation and is not subject to a cease trade order issued by a local securities regulatory authority;

(c) if the amendment reflects the removal of an underwriter, the filer has confirmed to the principal regulator that in each jurisdiction in which the securities will be offered to purchasers, at least one underwriter that has signed the certificate is registered or has been exempted from the requirement to be registered; and

(d) all necessary relief from applicable securities legislation or securities directions has been applied for and granted by the principal regulator and non-principal regulators.

10.7 **Form of Prospectus Amendment MRRS Decision Document**

(1) The securities legislation and securities directions in force in different jurisdictions impose different requirements on receipting or accepting amendments. The securities legislation and securities directions in force in

certain jurisdictions require that a receipt be issued for any prospectus amendment, whereas the securities legislation and securities directions in force in other jurisdictions do not require that a receipt be issued, and it has been the administrative practice to issue a notice of acceptance of filing for the prospectus amendment. The securities legislation and securities directions in other jurisdictions require that a receipt be issued for a prospectus amendment only where the prospectus amendment is filed for the purpose of distributing securities in addition to the securities previously disclosed in the related prospectus. For the purposes of this Policy, a prospectus amendment MRRS decision document will constitute confirmation that, if applicable, the required receipts or notices of acceptance of filing have been issued by the principal regulator and the non-principal regulators.

(2) The prospectus amendment MRRS decision document will contain the following legend:

This mutual reliance review system decision document evidences that receipts or notices of acceptance of filing of the regulators in each of (name of each jurisdiction in which materials have been filed and where the regulator has not opted out of the MRRS for the materials) have been issued.

10.8 **Local Decision Document** - Despite the issuance of the MRRS decision document, certain non-principal regulators will issue concurrently their own decision documents for amendments. In the case of prospectus amendments, it is not necessary for a filer to obtain a copy of the local decision document before recommencing the distribution of its securities.

10.9 **Other Requirements**

(1) Filers are reminded that the securities legislation and securities directions in force in certain jurisdictions require that where an amendment has been filed for the purposes of distributing securities in addition to the securities previously disclosed in the prospectus, the additional distribution will not be proceeded with for a specified period of time.

(2) Filers are also reminded that the securities legislation and securities directions of certain jurisdictions provide that, except in certain circumstances with the written permission of a designated person, a distribution or additional distribution must not proceed until a receipt for a prospectus amendment is issued.

Dated January 25, 2002.

APPENDIX A

MATERIALS REQUIRED TO BE FILED UNDER NATIONAL POLICY 43-201

The attached lists of documents, as varied in accordance with the following guidance, are those required to be filed or delivered under each category of filing to which the Policy applies.

The following guidance applies to all filings of materials under the MRRS:

1. Where a filing is to be made in the province of Quebec, a French language version of the following documents must also be filed:

   (a) the preliminary prospectus and the prospectus; and

   (b) any amendment to a preliminary prospectus and any amendment to a prospectus.

   A French language translation of an annual information form is not required at the time of filing of the annual information form. However, the French language versions of all of the documents incorporated by reference including the annual information form, if not previously filed, must also be filed at the time of filing of a preliminary short form prospectus.

   When a French language version has been prepared, it should also be filed in New Brunswick.

2. The attached lists do not refer to the applicable filing and distribution fees required by the securities regulatory authorities. The filer should consult the fee schedules of the relevant securities legislation for the applicable fees.

   For filers that are permitted to file materials in paper form under National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR), the payment of fees should be made by cheque payable as follows:

   British Columbia - British Columbia Securities Commission
   Alberta - Alberta Securities Commission
   Saskatchewan - Minister of Finance
   Manitoba - Minister of Finance
   Ontario - Ontario Securities Commission
   Quebec - Commission des valeurs mobilieres du Quebec
   New Brunswick - Minister of Finance
   Nova Scotia - Minister of Finance
   Prince Edward Island - Provincial Secretary
   Newfoundland - Newfoundland Exchequer Account
   Northwest Territories - Government of the Northwest Territories
   Yukon Territory - Government of Yukon
   Nunavut - Nunavut Securities Registry

In all other cases, payment of filing fees should be transmitted electronically through SEDAR.

3. Additional filing requirements apply to certain types of offerings such as offerings using the shelf offering procedures (National Instrument 44-102), the post-receipt pricing procedures (National Instrument 44-103) or the multijurisdictional disclosure system (National Instrument 71-101). Reference should be made to the applicable provisions of national or local rules or policies for any additional filing requirements or procedures.

4. Further filing requirements for British Columbia are contained in BC Policy 41-601.

5. Further filing requirements for Alberta, for filings not filed in compliance with OSC 41-501 or NI 44-101, are contained in ASC Policy 4.7.

6. Further filing requirements for Ontario are contained in Ontario Securities Commission Policy No. 5.7.

7. Further filing requirements for Québec are contained in local securities legislation and local securities directions.

8. Where the attached requirements refer to personal information regarding directors, executive officers and promoters of the filer should provide, for each director and executive officer of the filer and for each promoter of the filer (or in the case where the promoter is not an individual, for each director and executive officer of the promoter) the following information for security check purposes:

   (i) full name;

   (ii) position with or relationship to the issuer;

   (iii) employer's name and address, if other than the issuer;

   (iv) full residential address;

   (v) date and place of birth; and

   (vi) citizenship.

   Where the offering is made under the provisions of NI 44-101, a completed authorization form as per Appendix A of NI 44-101, «Authorization of Indirect Collection of Personal Information» must be filed. Where the offering is made under the provisions of OSC 41-501 a completed Form 41-501F2 «Authorization of Indirect Collection of Personal Information» must be filed. Where the offering is made in Quebec under the provisions of Q-28, a completed form as per Appendix A of Q-28, Authorization of Indirect Collection of Personal Information, must be filed.

   Where Saskatchewan, Manitoba or Nova Scotia is principal regulator, a RCMP GRC Securities Fraud Information Centre Request Form #2674 (89-07) must be filed. In connection with the filing of an initial public offering prospectus: (i) where Quebec is principal regulator, a Form 4 under the Regulation concerning securities made under the Securities Act (Quebec) must be filed; and (ii) where British Columbia is principal regulator, the filer must file a Form 4B or statutory declaration if required by BC Policy 41-601.

PRELIMINARY OR PRO FORMA LONG FORM PROSPECTUS

An issuer that files a preliminary prospectus or a pro forma prospectus pursuant to OSC 41-501 or, in Quebec pursuant to Q-28, shall file and/or deliver the documents required to be filed and/or delivered as set out in Section 13.2 of OSC 41-501 or, in Quebec as set out in Section 13.2 of Q-28, along with the:

1. Filing fees and

2. A letter to the principal regulator prepared in accordance with section 7.2.2 of the Policy

Issuers filing prospectuses and pro forma prospectuses outside Quebec in accordance with OSC 41-501 will satisfy requirements in other jurisdictions governing the form and content of a long form prospectus and the accompanying filings and deliveries to the Commissions. Issuers should consult local rules or orders for details.

Issuers not filing in accordance with OSC 41-501 or, in Quebec pursuant to Q-28, should look to local requirements to determine documents to be filed and/or delivered but in all cases should include the items set out in #1 and #2 above.

FINAL LONG FORM PROSPECTUS

An issuer that files a final prospectus pursuant to OSC 41-501 or, in Quebec pursuant to Q-28, shall file and/or deliver the documents required to be filed and/or delivered as set out in Section 13. of 3 OSC 41501 or, in Quebec as set out in Section 13.3 of Q-28, along with the:

1. Filing fees and

2. A letter to the principal regulator prepared in accordance with section 7.4.4 of the Policy

Issuers filing prospectuses and pro forma prospectuses outside Quebec in accordance with OSC 41-501 will satisfy requirements in other jurisdictions governing the form and content of a long form prospectus and the accompanying filings and deliveries to the Commissions. Issuers should consult local rules or orders for details.

Issuers not filing in accordance with OSC 41-501 or, in Quebec pursuant to Q-28, should look to local requirements to determine documents to be filed and/or delivered but in all cases should include the items set out in #1 and #2 above.

PRELIMINARY SHORT FORM PROSPECTUS

An issuer that files a preliminary short form prospectus pursuant to NI 44-101 shall file and/or deliver the documents

required to be filed and/or delivered as set out in Section 10.2 of that instrument along with the:

1. Filing fees and

2. A letter to the principal regulator prepared in accordance with section 7.2.2 of the Policy

FINAL SHORT FORM PROSPECTUS

An issuer that files a final short form prospectus pursuant to NI 44-101 shall file and/or deliver the documents required to be filed and/or delivered as set out in Section 10.3 of that Instrument along with the:

1. Filing fees and

2. A letter to the principal regulator prepared in accordance with section 7.4.4 of the Policy

AMENDMENTS TO PRELIMINARY PROSPECTUS AND PROSPECTUS (SHORT FORM AND LONG FORM)

An issuer that files an amendment pursuant to OSC 41-501 or, in Quebec pursuant to Q-28, or pursuant to NI 44-101, shall file and/or deliver the documents required to be filed and/or delivered as set out in section 13.7 of OSC 41-501, section 13.6 of Q-28 or section 11.2 of NI 44-101 respectively, along with the:

1. Filing fees and

2. A letter prepared in accordance with section 10.1(2) of the Policy, if applicable and

3. A letter to the principal regulator:

   (a) for a preliminary prospectus amendment, prepared in accordance with section 10.2.2 of the Policy; or

   (b) for a prospectus amendment, prepared in accordance with section 10.6.4 of the Policy.

Issuers not filing in accordance with OSC 41-501 or, in Quebec pursuant to Q-28, or NI 44-101 should look to local requirements to determine documents to be filed and/or delivered but in all cases should include the items set out in #1, #2 and #3 above.

INITIAL ANNUAL INFORMATION FORM

An issuer that files an initial annual information form pursuant to NI 44-101 shall file and/or deliver the documents required to be filed and/or delivered as set out in Section 3.3 of that Instrument along with the:

1. Filing fees, if applicable and

2. A letter to the principal regulator prepared in accordance with section 7.4.4 of the Policy

RENEWAL ANNUAL INFORMATION FORM

An issuer that files a renewal annual information form pursuant to NI 44-101 shall file and/or deliver the documents required to be filed and/or delivered as set out in Section 3.3 of that Instrument along with the:

1. Filing fees, if applicable and

2. Notice of intention to file preliminary prospectus as per section 3.2(3) of NI 44-101.

PRELIMINARY SIMPLIFIED PROSPECTUS AND ANNUAL INFORMATION FORM FILED UNDER NI 81-101

1. Preliminary simplified prospectus

2. Preliminary simplified prospectus - blacklined

   (where new fund is being qualified by a separate prospectus but is to be part of an existing group of funds sold by prospectus, a blacklined version of the simplified prospectus should indicate any changes from the existing simplified prospectus for the group of funds)

3. Preliminary annual information form

4. Preliminary annual information form - blacklined

   (where new fund is being qualified by a separate prospectus but is to be part of an existing group of funds sold by prospectus, a blacklined version of the annual information form should indicate any changes from the existing annual information form for the group of funds)

5. Copy or draft of all material contracts for the new mutual funds

6. For a new mutual fund in a new mutual fund group, personal information regarding individuals acting as trustees and promoters, and directors and senior officers of the fund, trustee, manager and promoter. If the mutual fund is a member of a mutual fund family for which this type of information was previously provided, the information would be required only for those persons for whom the information was not previously provided by other members of the mutual fund family

7. Financial statements, if applicable

8. Filing fees

9. A letter to the principal regulator prepared in accordance with section 7.2.2 of the Policy

PRO FORMA SIMPLIFIED PROSPECTUS AND ANNUAL INFORMATION FORM FILED UNDER NI 81-101

1. Pro forma simplified prospectus
2. Pro forma simplified prospectus - blacklined to indicate all changes from previous simplified prospectus
3. Pro forma annual information form
4. Pro forma annual information form - blacklined to indicate all changes from previous annual information form
5. Copy or draft of all material contracts not previously filed
6. Personal information regarding individuals acting as trustees and promoters, and directors and senior officers of the fund, trustee, manager and promoter where this information has not previously been provided for these persons in connection with a previous filing of the mutual fund family
7. Compliance report required under Part 12 of National Instrument 81-102, Mutual Funds
8. Filing fees

FINAL SIMPLIFIED PROSPECTUS AND ANNUAL INFORMATION FORM FILED UNDER NI 81-101

1. Final simplified prospectus
2. Final simplified prospectus - blacklined to show changes from preliminary or pro forma simplified prospectus, as the case may be
3. Final annual information form
4. Final annual information form - blacklined to show changes from preliminary or pro forma annual information form, as the case may be
5. Copy of all material contracts not previously filed
6. For new funds, audited financial statements if not previously filed
7. Auditors' consent letter re audited financial statements
8. Auditors' comfort letter re unaudited financial statements, if applicable
9. Consent of legal counsel or other experts
10. Certificate re proceeds of distribution in the jurisdiction (applicable to filings in B.C., Alberta, Ontario, Quebec)
11. Filing fees
12. A letter to the principal regulator prepared in accordance with section 7.4.4 of the Policy

AMENDMENT TO A SIMPLIFIED PROSPECTUS AND ANNUAL INFORMATION FORM FILED UNDER NI 81-101

1. Amendment to simplified prospectus
2. Amendment to simplified prospectus - blacklined (where amendment is an amended and restated simplified prospectus)
3. Amendment to annual information form
4. Amendment to annual information form - blacklined (where amendment is an amended and restated annual information form)
5. Copy of all material contracts not previously filed
6. Auditors' consent letter, if applicable
7. Auditors' comfort letter, if applicable
8. Consent of legal counsel and other experts, if applicable
9. Filing fees
10. A letter to the principal regulator prepared in accordance with section 10.6.4 of the Policy

APPENDIX B

EXAMPLES OF APPLICATIONS DEALT WITH UNDER NATIONAL POLICY 43-201

1. relief from financial statement and other requirements in a prospectus

2. relief from escrow requirements

3. applications relating to representations as to listing - however, because of the differences in local requirements, it may be easier to deal with these applications outside of the MRRS

4. requests for confidentiality of material contracts
5. NI 81-101 waiver applications

6. requests for confidential pre-filing of a prospectus for review purposes

This Page Intentionally left blank

Chapter 6

Request for Comments

6.1.1 CSA Notice - Proposed NI 51-101 Standards of Disclosure for Oil and Gas Activities and Request for Public Comment

CANADIAN SECURITIES ADMINISTRATORS

NOTICE

PROPOSED NATIONAL INSTRUMENT 51-101
STANDARDS OF DISCLOSURE FOR
OIL AND GAS ACTIVITIES

PROPOSED REPEAL OF NATIONAL POLICY
STATEMENT NO. 2-B

AND

PROPOSED CONSEQUENTIAL AMENDMENTS

REQUEST FOR PUBLIC COMMENT

The Canadian Securities Administrators (the "CSA") seek public comment on proposed new standards for public disclosure by reporting issuers in the oil and gas sector. We are also proposing to repeal an existing national policy statement and to make consequential amendments to certain securities legislation. We request comments by April 30, 2002.

1. Introduction

(a) Proposed NI 51-101[1]

Proposed National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") would establish a regime of continuous disclosure for reporting issuers engaged in exploring for, developing or producing oil or gas, including the extraction of oil from oil sands or shale.

NI 51-101 would be supplemented by three proposed forms and a companion policy:

- Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information ("Form 1")
- Form 51-101F2 Report on Reserves Data by Independent Qualified Evaluator ("Form 2")
- Form 51-101F3 Report of Management on Oil and Gas Disclosure ("Form 3")
- Companion Policy 51-101CP (the "Policy")

(In this Notice, NI 51-101, Forms 1, 2 and 3 and the Policy are together referred to as the "Instrument".)

The text of the Instrument is being published concurrently with this Notice and can be obtained on websites of CSA members, including the following:

- **www.albertasecurities.com**
- **www.osc.gov.on.ca**
- **www.cvmq.com**
- **www.bcsc.bc.ca**
- **www.ssc.gov.sk.ca**
- **www.msc.gov.mb.ca**

(b) Repeal of NP 2B

In conjunction with the Instrument, the CSA propose to repeal National Policy Statement No. 2-B Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators ("NP 2B"). As discussed below, the disclosure standards set out in the Instrument are designed to replace the older, more limited, prospectus-focused standards of NP 2B.

(c) Consequential Amendments to Securities Legislation and Directions

The CSA also propose, in conjunction with the Instrument, to amend rules, regulations or other securities legislation and securities directions in various CSA jurisdictions to:

- eliminate current requirements for content, preparation and filing of oil and gas reports, in connection with the filing of a prospectus or otherwise[2];
- eliminate current requirements for the filing of oil and gas reports under Multilateral Instrument 45-102 Resale of Securities ("MI 45-102"), such that the requirements of the Instrument would take the place of those current requirements; and
- substitute, for the disclosure currently prescribed for prospectuses and annual information forms ("AIFs"), disclosure consistent with that required under the Instrument.

The proposed changes to MI 45-102 and to the disclosure requirements for prospectuses and AIFs are set out in the Appendix to this Notice.

[1] In Ontario, the following provisions of the *Securities Act* provide the Ontario Securities Commission with authority to make proposed NI 51-101: paragraphs 143(1)22, 24 and 39.

[2] In Alberta, the Alberta Securities Commission proposes to repeal sections 89,90 and 91 of the ASC Rules

2. Background

(a) Current Oil and Gas Disclosure Requirements

Current requirements for disclosure concerning oil and gas activities apply principally in connection with prospectus filings.

- Current prospectus forms require disclosure of specified information about an issuer's oil and gas properties, wells, production, estimated reserves and plans for exploration and development.

- NP 2B deals mainly with the preparation and content of engineering reports submitted in connection with a prospectus filing, and sets out information relating to oil and gas reserves that is to be included in a prospectus.

To the extent that there is currently an oil and gas continuous disclosure requirement, it arises in connection with the AIF required of certain reporting issuers in Ontario and Québec, or in connection with AIFs filed voluntarily under National Instrument 44-101 Short Form Prospectus Distributions ("NI 44-101") or under Multilateral Instrument 45-102 Resale of Securities). The primary form of AIF is set out in Form 44-101F1 AIF, which calls for essentially the same oil and gas disclosure as in a long form prospectus.

(b) Deficiencies of Current Oil and Gas Disclosure Regime

The current prospectus-centred oil and gas disclosure regime does not, in the view of the CSA or many market participants, adequately serve capital markets in which the vast majority of trading activities takes place in the secondary market. The CSA believe that a focus on continuous disclosure is necessary.

The CSA also share the concern expressed by some market participants that current oil and gas disclosure standards do not always produce information of the quality and consistency required to enable investors to make informed investment decisions. While many issuers and their professional advisers undoubtedly apply high standards and produce information of high quality, the CSA are concerned that poor, or inconsistent, disclosure practices on the part of some issuers can lead to a broader impairment of public confidence in our capital markets, to the detriment of all oil and gas issuers and investors.

(c) ASC Oil and Gas Taskforce Recommendations

The quality of oil and gas disclosure has been of particular concern to the Alberta Securities Commission. In June 1998, the ASC established an Oil and Gas Taskforce (the "Taskforce" mentioned earlier) to make recommendations for disclosure requirements for public oil and gas issuers. Taskforce members were drawn from a variety of sources, including small and large oil and gas producers, reserves evaluators, investment dealers, accounting and legal advisers and regulatory staff.

The Taskforce issued its recommendations in January 2001 (they can be viewed on the ASC website at **www.albertasecurities.com**). The Taskforce recommendations included the following:

- Use of new reserves terminology and estimation procedures being developed by the Canadian Institute of Mining, Metallurgy & Petroleum ("CIM") and the Canadian committee of the international Society of Petroleum Evaluation Engineers ("SPEE").

- Annual disclosure by all public oil and gas issuers, containing:

  (i) estimates of reserves and of future net revenue (cash flow) attributable to those reserves, in specified categories, based on specified assumptions and "forecast" as well as "constant" prices and costs, and reported on by independent professional evaluators; and

  (ii) specified information relating to the issuer's oil and gas properties, production and activities (an updated, enhanced version of the disclosure currently required in prospectuses and AIFs).

- An explicit assignment of certain responsibilities relating to oil and gas disclosure to boards of directors, and encouragement for the establishment of a "reserves committee" with a majority of non-management members.

3. CSA Response to the Taskforce Recommendations and Alternatives Considered

The CSA welcomed the Taskforce recommendations.

In developing a response, the CSA considered several possible alternatives:

(i) Do nothing, retaining NP 2B and its prospectus focus.
(ii) Adapt NP 2-B for continuous disclosure.
(iii) Import continuous disclosure standards from the United States or elsewhere.
(iv) Develop exclusively Canadian continuous disclosure standards.
(v) Develop continuous disclosure standards combining US and Canadian elements.

The CSA rejected alternative (i) because of our concern about the inadequacy of current standards, as discussed above. We rejected alternative (ii) on the basis that the disclosure standards of NP 2B are simply too limited and too dated.

Alternatives (iii) and (iv) were both considered very thoroughly by the Taskforce which, as noted above, in essence recommended alternative (iv), a wholly Canadian system with one requirement very similar to current US standards.

The Taskforce recommendations generated considerable public interest and, in some cases, criticism. Some of the criticism of which the CSA are aware came from issuers and others who already work with, and are accustomed to applying, US standards. Those critics questioned the benefits of applying new, different but overlapping Canadian standards.

The CSA consider some of that criticism justified. The proposed Instrument, therefore, although largely consistent with Taskforce recommendations, reflects the CSA's adoption

of alternative (v) above. The CSA have not relied on unpublished studies.

The proposed Instrument would establish a new continuous disclosure regime, centred on mandatory annual disclosure. The information to be disclosed each year would include, as part of "reserves data", "proved" reserves and related cash flow estimated using "constant" prices, applying US standards that are very similar to the corresponding standards recommended by the Taskforce. The annual reserves data disclosure would also apply made-in-Canada standards for disclosure of "proved" and "probable" reserves (and related cash flow) estimated using "forecast" prices. The reserves data would be supplemented by annual disclosure of other information relating to the issuer's reserves, production, properties, facilities and related activities.

The CSA have also considered exemptions that might be available, in appropriate circumstances, from certain of the requirements of the Instrument. These possible exemptions are discussed in the Policy and below.

4. The CSA Proposal

(a) Purpose and Substance

The Instrument is intended to improve the quality, consistency and comparability (among issuers, and over time) of public disclosure by reporting issuers in the "upstream" oil and gas sector (as distinct from "downstream" refining and marketing activities).

Better disclosure should enhance the ability of investors to make informed investment decisions, and foster confidence in our capital markets.

The CSA are of the view that a reasonable investor, in making an investment decision concerning securities of an oil and gas reporting issuer, may find information about the issuer's oil and gas reserves, properties and facilities to be as important as the information contained in its financial statements. For that reason, the Instrument would establish standards for oil and gas disclosure somewhat akin to the standards for financial reporting:

- periodic (annual) reporting of "reserves data", which are estimates of reserves quantities and of associated future net revenue, as well as certain reserves-related information and other information about oil and gas activities;
- consistent application of professional- and industry-developed terminology and reporting standards;
- annual reporting, by an independent professional, on reserves data, again consistently applying newly-codified professional standards; and
- responsibility for reviewing and approving annual oil and gas disclosure explicitly assigned to the board of directors, with provision for the delegation of certain of those responsibilities to a "reserves committee".

To ensure consistency with the new Instrument, the CSA propose that existing provisions of securities legislation be:

- repealed, insofar as they relate to the preparation, content or filing of oil and gas reports; or
- amended, insofar as they specify oil and gas information to be disclosed in prospectuses or AIFs

(b) Overview of the Instrument

The following outline provides an overview of the disclosure regime under the proposed Instrument:

Annual disclosure:

- independent reserves evaluations required
- filing of such evaluations and other oil and gas information
- filing of independent evaluator's report and management report
- more information to support disclosure of "prospects" and certain other estimates

Material change disclosure

- must discuss the expected effect on information contained in the annual filings

All disclosure

- requirements and restrictions designed to ensure, for all public disclosure, quality and consistency (e.g., consistency with the annual filings and prescribed terminology)

Prospectuses

- eliminate current oil and gas disclosure items, substitute the new annual filings and material change disclosure

Materiality standard

- no disclosure of information that is not material to a reasonable investor's investment decision would be required

Directors

- explicit responsibilities (approve annual filings, review disclosure procedures)
- encouragement of independent "reserves committees" (like audit committees)

(c) Summary of the Instrument

Mandatory elements of the Instrument are set out in NI 51-101 and in Forms 1, 2 and 3. Form 1 also contains instructions to guide users. The Policy provides explanation and additional

guidance on elements of NI 51-101, and discusses possible exemptions from its requirements.

(i) NI 51-101

Part 1 of NI 51-101 sets out the scope of the Instrument and identifies the source of certain terminology.

- Section 1.1 provides that the Instrument applies only to reporting issuers.

- Section 1.2 limits the application of the Instruments to information that is "material", in that it would be likely to influence a decision by a reasonable investor to buy, hold or sell a security of the reporting issuer.

- Section 1.3 provides that terms used in the Instrument have the meanings ascribed to them in the Appendix to NI 51-101 or, if no such meaning is given, the meanings given in other securities legislation (including National Instrument 14-101 Definitions) or, to the extent not inconsistent, in the "SPEE Handbook" or the "FASB Standard".

  The SPEE Handbook is the handbook of petroleum evaluation standards being developed by the SPEE. The FASB Standard, which is reproduced in Schedule 1 to the Appendix to the Policy, is derived from oil and gas disclosure standards of the United States Financial Accounting Standards Board (the "FASB").

  Given the importance of the SPEE Handbook to the application of the Instrument, the CSA do not propose to implement the Instrument until the first edition of the SPEE Handbook has been finalized and accepted by the CSA.

Part 2 of NI 51-101 sets out certain requirements for financial reporting and estimation of oil and gas reserves and related information.

- Section 2.1 gives oil and gas reporting issuers that provide financial disclosure in accordance with Canadian generally accepted accounting principles a choice between two accounting methods.

- Section 2.2 prescribes standards for estimates of reserves and related information to be filed under the Instrument. Among other things, such information must be prepared by a qualified evaluator in accordance with SPEE standards and, in specified cases, applying the FASB Standard.

  As defined in the Appendix to NI 51-101, a "qualified evaluator" must, among other things, be a member of a professional organization that admits members primarily on the basis of their education qualifications, requires compliance with professional standards established by the organization, has disciplinary powers, and is either given authority or recognition by statute in a Canadian jurisdiction or is accepted for this purpose by the securities regulatory authority or regulator.

Part 3 of NI 51-101 sets out certain responsibilities of reporting issuers and their directors.

- Section 3.2 requires a reporting issuer to appoint an independent qualified evaluator to report to its directors on reserves data.

- Section 3.3 requires the reporting issuer to make available to the reporting issuer information necessary to enable the evaluator to provide that report.

- Section 3.4 enumerates certain responsibilities of directors, including the responsibility to review the reporting issuer's oil and gas disclosure procedures and practices and its appointment of an independent evaluator, and to approve the filing (and, in specified cases, the content) of certain information to be filed under the Instrument.

- Section 3.5 permits a board of directors to delegate its review responsibilities under section 3.4 to a "reserves committee", somewhat akin to an audit committee.

Part 4 of NI 51-101 sets out a number of requirements that would apply to public disclosure, generally, by or on behalf of an oil and gas reporting issuer. These requirements are intended to ensure that public oil and gas disclosure is consistent with information filed by a reporting issuer, consistent with SPEE standards or other applicable standards, and does not present information in a manner that might mislead recipients. The requirements would apply whether or not the public disclosure is filed with a securities regulatory authority. In some cases, they would apply to both written and oral disclosure.

Part 5 mandates annual disclosure filings by a reporting issuer.

- Section 5.1 of NI 51-101 would require issuers to file (i) the reserves data and other oil and gas information set out in Form 1, (ii) the report of an independent qualified evaluator on the reserves data (Form 2), and (iii) the report of management on the issuer's oil and gas disclosure (Form 3).

  This information must be filed each year, in respect of the most recent financial year, within the time prescribed for filing the audited annual financial statements.

- Section 5.3 provides that these annual filing requirements can be satisfied by including the information in an AIF.

- Section 5.2 requires a reporting issuer to announce its filing of information under section 5.1 in news release that also advises the public where to find the filed information.

Part 6 of NI 51-101 expands on the requirements of securities legislation respecting disclosure of material changes. To maintain the usefulness of the annual filings under Part 5, section 6.1 would require that disclosure of a material change include a discussion of how, if at all, the material change is

expected to affect the information most recently filed under section 5.1

Part 8 of NI 51-101 provides that exemptions from the Instrument may be granted by the securities regulatory authority or by the regulator (in Ontario, only by the regulator).

Part 9 of NI 51-101 deals with the coming into force of NI 51-101. Under section 8.2, the first annual filings under NI 51-101 would be required for a reporting issuer's financial year that includes, or ends on, December 31, 2002.

(ii) Form 1

Form 1 specifies the oil and gas information to be filed each year under item 1 of section 5.1 of NI 51-101. This information includes the "reserves data" under item 2.1.

Except for the reserves data, which must be presented together, the general instructions to Form 1 give reporting issuers wide latitude in how they present the required information, and reiterate that immaterial information need not be disclosed.

(iii) Form 2

Form 2 sets out the prescribed text of the independent qualified evaluator's report on reserves data, to be filed under section 5.1 of NI 51-101.

Section 5.4 of NI 51-101 limits the extent to which a departure from the prescribed report -- a "reservation" of opinion -- will be accepted for purposes of the annual filing requirement.

(iv) Form 3

Form 3 sets out the prescribed text of the annual report of management and directors on a reporting issuer's disclosure, also to be filed under section 5.1 of NI 51-101

(v) The Policy

The Policy provides explanation and guidance on the application of the Instrument, and discusses certain possible exemptions.

Part 1 discusses the scope and application of NI 51-101 and certain of the standards applied under NI 51-101, notably those derived from the SPEE Handbook and standards adopted from the FASB.

- Section 1.2 discusses the materiality standard.
- Section 1.3 provides examples of the timing of first application of NI 51-101 to a reporting issuer.
- Section 1.6 identifies professional associations, membership in which will be acceptable for purposes of the definition of "qualified evaluator". It also discusses factors the CSA would likely take into account in considering whether other professional associations should be accepted for that purpose.

Part 2 provides guidance as to aspects of measurement under Part 2 of NI 51-101.

Part 3 discusses the responsibilities of reporting issuers and directors.

- Section 3.1 encourages the use of a "reserves committee", although it is not mandatory.
- Section 3.2 notes that mandatory involvement of independent qualified evaluators is not intended to relieve reporting issuers or directors of responsibility for oil and gas disclosure.

Part 4 provides guidance applicable to public oil and gas disclosure generally. This includes section 4.3, which cautions issuers about disclosure of reports of qualified evaluators that provide only "negative" assurance ("Nothing has come to my attention...") rather than a positive opinion.

Part 5 provides guidance on the annual filing requirements, including the flexibility permitted in the use of the Forms or an AIF, and unacceptable "reservations" in an independent qualified evaluator's report.

Part 6 provides explanation and guidance concerning material change disclosure.

Part 7 deals with the independence of professionals.

- Section 7.1 discusses the criteria of independence that apply, in respect of the relationship between a reporting issuer and a qualified evaluator, under the SPEE standards.
- Section 7.2 notes that there may be certain circumstances in which the CSA do not believe that an individual, although technically independent, is in fact in a position to provide the objective opinion expected under NI 51-101.

Part 8 discusses exemptions that the CSA consider could be granted in certain circumstances, and the likely conditions of such exemptions.

- Section 8.2 discusses exemption, for "senior producing issuers", from the requirement for involvement of a qualified evaluator independent of the issuer. It includes forms of report that would likely be required, in lieu of Forms 2 and 3, by issuers that obtain and rely on such an exemption.
- Paragraph 8.3 discusses a potential exemption that might be granted to issuers that have securities registered with the SEC under the 1934 Act. Such an exemption could permit an issuer to satisfy the requirements of Instrument 51-101 by, in effect, providing disclosure exclusively in accordance with US standards.

  Such an exemption would likely be conditional on strict conformity to those standards in all of the reporting issuer's public disclosure, with loss of the exemption (requiring the preparation and filing of disclosure fully consistent with the standards prescribed in NI 51-101)

in the event that an issuer makes any public disclosure not conforming to US standards. This exemption would be granted only in the discretion of the securities regulatory authority or the regulator.

5. Costs and Benefits

The CSA have developed the Instrument in part in response to concerns expressed by market participants about the quality and consistency of public oil and gas disclosure, and the resulting potential for harm to investors and Canadian oil and gas issuers generally.

To the extent that NI 51-101 succeeds in improving disclosure and thereby bolstering confidence in our capital markets, investors and oil and gas issuers should all benefit.

Any incremental costs of compliance with NI 51-101 would, in the view of the CSA, likely be attributable to (i) developing and maintaining satisfactory internal information-gathering procedures or (ii) retaining independent qualified evaluators to report on reserves data. The CSA understand that the SPEE standards to be, to a large extent, a codification of current best practice standards, and that the vast majority of oil and gas reporting issuers already retain independent qualified evaluators to satisfy regulatory requirements or demands from their lenders, investors. or auditors. The CSA expect that most issuers will find that they do not need to generate new types of information to satisfy the requirements of the Instrument. Accordingly, the CSA do not anticipate that implementation of NI 51-101 would impose a significant financial burden on issuers.

To the extent that an issuer incurs costs in raising its disclosure standards to satisfy NI 51-101, the CSA anticipate that much of that burden would be temporary. Once issuers and their independent evaluators have developed satisfactory reserves estimation and reporting standards, the ability to use independent reserves audits, rather than independent evaluations, in subsequent years offers the potential for cost savings, even from current requirements (audits are not generally used at present).

6. Request for Comment

The CSA request public comment on the proposed Instrument, and the related proposals to repeal NP 2B and to make consequential amendments to existing securities legislation.

(a) Specific Issue for Comment

In addition to any other comments that you may have on these proposals, the CSA invite comment on the following specific issue. Section 5 of this Notice sets out the CSA's assessment of costs and benefits to investors and industry under the proposed Instrument. What other costs and benefits to investors and industry do you anticipate? Would the benefits of implementing the Instrument outweigh the costs?

(b) Assume SPEE Standards Consistent

As discussed in this Notice, the proposed Instrument would mandate the application of terminology and standards included in the SPEE Handbook, currently under development.

Although the SPEE Handbook will be an important reference source for many users of the Instrument, the CSA believe that readers will be in position to understand the proposed Instrument, and to provide meaningful comments on our proposal, even without the SPEE Handbook. They will be assisted by consulting the Appendix to the Policy, which sets out much of the relevant terminology as it is expected to appear in the SPEE Handbook.

In considering and commenting on the proposed Instrument, please assume that the SPEE Handbook will not include provisions that conflict or are incompatible with the Instrument. The CSA will assess public comments on the basis of the same assumption.

7. How to Send Your Comments

We invite your comments, by April 30, 2002. Please note that your comments will not be confidential.

Please address your comments to all of the CSA member commissions, as follows:

Alberta Securities Commission
British Columbia Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Commission des valeurs mobilières du Québec
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Registrar of Securities, Government of the Northwest Territories
Registrar of Securities, Government of the Yukon Territory
Registrar of Securities, Nunavut

You need not deliver your comments to all of the CSA member commissions, but please deliver your comments to the Alberta Securities Commission and to the Commission des valeurs mobilières du Québec, at the addresses below.

If you send your comments by e-mail, please follow up with a signed hard copy of your comments, to demonstrate that you are the sender (this is not always apparent in an e-mail). In all cases, please include, with the hard copy of your comments, a copy of your comments in a diskette in DOS or Windows format, preferably Word.

(i) Send one copy to:

Stephen Murison
Legal Counsel
Alberta Securities Commission
Suite 400
300 - 5th Avenue SW
Calgary, Alberta T2P 3C4

e-mail: **stephen.murison@seccom.ab.ca**

(ii) Send one copy to:

Denise Brosseau, Secretary

Commission des valeurs mobilières du Québec
Stock Exchange Tower
800 Victoria Square
P.O. Box 246, 22nd Floor
Montréal, Québec H4Z 1G3

e-mail: **consultation-en-cours@cvmq.com**

8. Further Information

You can obtain further information from any of the following:

Stephen Murison
Legal Counsel
Alberta Securities Commission
Telephone: (403) 297-4233
Fax: (403) 297-6156
e-mail: **Stephen.Murison@seccom.ab.ca**

Derek Patterson
Manager and Senior Legal Counsel,
Legal and Market Initiatives
British Columbia Securities Commission
Telephone: (604) 899-6801
Fax: (604) 899-6506
e-mail: **dpatterson@bcsc.bc.ca**

Deborah McCombe
Chief Mining Consultant
Ontario Securities Commission
Telephone: (416) 593-8151
Fax: (416) 593-8177
e-mail: **dmccombe@osc.gov.on.ca**

Pierre Martin
Senior Legal Counsel
Commission des valeurs mobilières du Québec
Telephone: (514) 940-2199 Ext. 4557
Fax: (514) 864-7455
e-mail: **pierre.martin@cvmq.com**

January 25, 2002.

APPENDIX

Proposed Consequential Amendments to Securities Legislation and Securities Directions

The CSA propose, in conjunction with implementation of NI 51-101, to amend current requirements of securities legislation and securities directions:

- concerning the filing of oil and gas reports under Multilateral Instrument 45-102 Resale of Securities ("MI 45-102"); and
- concerning oil and gas disclosure in annual information forms and prospectuses, to substitute requirements for disclosure consistent with that required under Parts 5 and 6 of NI 51-101.

PART 1. CONSEQUENTIAL AMENDMENTS CONCERNING MI 45-102

1.1 The CSA propose that, in the jurisdictions in which MI 45-102 is in force:

(a) **MI 45-102** - paragraph (e) of the definition of "qualified issuer" in section 1.1 of MI 45-102 be repealed; and

(b) **45-102CP** - Companion Policy 45-102CP be amended by adding, after section 2.5, a provision:

(i) reminding issuers that have mineral projects of the disclosure and filing requirements, including requirements to file technical reports or other information under National Instrument 43-101 Standards of Disclosure for Mineral Projects; and

(ii) reminding reporting issuers that are engaged in oil and gas activities, or in extracting hydrocarbons from shale, tar sands or coal, of the disclosure and filing requirements under NI 51-101.

PART 2. DISCLOSURE REQUIREMENTS FOR ANNUAL INFORMATION FORMS AND PROSPECTUSES

2.1 Long Form Prospectus

The CSA propose that the prescribed content of current forms of "long form prospectus" be amended substantially as follows:

(a) by adding the following instruction:

"Disclosure in a prospectus must be consistent with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities";

(b) by deleting the current disclosure requirements particular to oil and gas issuers[3], and substituting the following:

"**[#] Issuers with Oil and Gas Activities**

For issuers engaged in oil and gas activities (as defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities) or in extracting hydrocarbons from shale, tar sands or coal:

1. Reserves Data and Other Information

(a) In the case of information that, for purposes of Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information, is to be prepared as at the end of a financial year, disclose that information as at the most recent financial year-end for which the prospectus includes a balance sheet.

(b) In the case of information that, for purposes of Form 51-101F1, is to be prepared for a financial year, disclose that information for each financial year or period for which the prospectus includes a statement of income for a financial year or period.

(c) To the extent not reflected in the information disclosed in response to paragraphs (a) and (b), disclose the information contemplated by Part 6 of National Instrument 51-101, in respect of material changes that occurred after the issuer's most recent financial year-end for which the prospectus includes a balance sheet date, to the date of the prospectus.

2. Report of Qualified Independent Evaluator - Include with the disclosure under section 1 the report of a qualified evaluator, referred to in item 2 of section 5.1 of National Instrument 51-101, on the reserves data included in the disclosure required under paragraph 1(a).

3. Report of Management - Include with the disclosure under section 1 a report in the form of Form 51-101F3 Report of Management on Oil and Gas Disclosure that refers to the information disclosed under section 1." ;

(c) **Filing Requirements** - by removing the requirements for the filing, with a preliminary prospectus or a prospectus, of technical reports or certificates in respect of oil and gas activities; and

(d) **Transition** - By providing, as a transitional measure, that to the extent that paragraph (b) would require disclosure of information prepared as at, or for a financial year ended on, a date (the "effective date") earlier than the date on which National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities first applies to the issuer, such disclosure may, at the option of the issuer, be omitted provided that the issuer discloses:

(i) the information, prepared as at or for the financial year ended on that effective date, that would have been required under Item [#] but for the amendment set out in paragraph (b); and

(ii) the fact that the information disclosed under paragraph (i) was prepared in accordance with the former requirement.

2.2 AIFs and Short Form Prospectuses

The CSA propose the following amendments to AIF and short form prospectus requirements under National Instrument 44-101 Short Form Prospectus Distributions:

(a) **AIFs** - Form 44-101F1 AIF is amended by deleting section 4.4 and substituting the following:

"4.4 Issuers with Oil and Gas Activities

For issuers engaged in oil and gas activities (as defined in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities) or in extracting hydrocarbons from shale, tar sands or coal:

1. Reserves Data and Other Information

(a) In the case of information that, for purposes of Form 51-101F1 Statement of Reserves Data and Other Oil and Gas Information, is to be prepared as at the end of a financial year, disclose that information as at the issuer's most recent financial year-end.

(b) In the case of information that, for purposes of Form 51-101F1, is to be prepared for a financial year, disclose that information for each financial year or period for which MD&A is included in the AIF.

(c) To the extent not reflected in the information disclosed in response to paragraphs (a) and (b), disclose the information contemplated by Part 6 of

[3] Such disclosure requirements appear in the following provisions, among others:
- Item 6.4 of OSC Form 41-501F1 *Information Required in a Prospectus*
- Item 6.4 of Schedule 1 *Information Required in a Prospectus*, under CVMQ Policy Statement Q-28 *General Prospectus Requirements*
- Item 6.4 of BCSC Form 41-501F1 *Information Required in a Prospectus*
- Item 9(3) of ASC Form 14 *Information Required in a Prospectus of a Natural Resource Issuer*
- Item 7 of MSC Form 11 *Information Required in the Prospectus of a Mining Company*

National Instrument 51-101, in respect of material changes that occurred after the issuer's most recent financial year-end.

2. Report of Qualified Independent Evaluator

Include with the disclosure under section 1 the report of a qualified evaluator, referred to in item 2 of section 5.1 of National Instrument 51-101, on the reserves data included in the disclosure required under paragraph 1(a).

3. Report of Management

Include with the disclosure under section 1 a report in the form of Form 51-101F2 Report of Management on Oil and Gas Disclosure that refers to the information disclosed under section 1.

INSTRUCTION The information presented in response to section 4.4 must be in accordance with National Instrument 51-101. "

(b) **Transition for AIFs** - To the extent that paragraph (a) would require disclosure of information prepared as at, for a financial year ended on, a date (the "effective date") earlier than the date on which National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities first applies to the issuer, such disclosure may, at the option of the issuer, be omitted provided that the issuer discloses:

(i) the information, prepared as at or for the financial year ended on that effective date, that would have been required but for the amendment set out in paragraph (a); and

(ii) the fact that the information disclosed in reliance on subparagraph (i) was prepared in accordance with the former requirements of Form 44-101F1.

(c) **Short Form Prospectuses** - Form 44-101F3 Short Form Prospectus is amended:

(i) by adding to the initial instructions the following:

(12) *"Disclosure in a short form prospectus must be consistent with National Instrument 51-101* Standards of Disclosure for Oil and Gas Activities.

(ii) by amending Item 10 as follows:

A. deleting the heading and substituting the following:

"Item 10: - Resource Issuers" ;

B. deleting the heading of section 10.1 and substituting the following:

"10.1 - Issuers with Mineral Projects" ;

C. deleting from section 10.1, each time it occurs, the phrase "or 4.4, as appropriate"; and

D. adding the following:

"10.2 - Oil and Gas Activities

To the extent not included in the current AIF, provide the information that would be required under Item 4.4 of Form 44-101F1 if the AIF were being filed on the date of the short form prospectus."

6.1.2 National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities

NATIONAL INSTRUMENT 51-101

STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

TABLE OF CONTENTS

NATIONAL INSTRUMENT 51-101

STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

PART 1. APPLICATION AND TERMINOLOGY[1]

1.1 ***Reporting Issuers*** **Only** - This *Instrument* applies to *reporting issuers* engaged, directly or indirectly, in *oil and gas activities* or the extraction of hydrocarbons from shale, tar sands or coal.

1.2 ***Materiality*** **Standard**

(1) This *Instrument* applies only in respect of information that is *material*.

(2) For the purposes of subsection (1), information is *material,* in respect of a *reporting issuer*, if it would be likely to influence a decision by a reasonable investor to buy, hold or sell a security of the *reporting issuer*.

1.3 Definitions[2]

(1) Terms defined in the Appendix to this *Instrument* have that meaning in this *Instrument*.

(2) Terms used in this *Instrument* and defined or interpreted in the *SPEE Handbook* have the meaning ascribed to those terms in the *SPEE Handbook*.

(3) Terms used in this *Instrument* and defined or interpreted in the *FASB Standard* have the meaning ascribed to those terms in the *FASB Standard*.

(4) In the event of a conflict or inconsistency between the meaning ascribed to a term in the Appendix to this *Instrument* and the meaning ascribed to the term in the *SPEE Handbook* or in the *FASB Standard*, the meaning ascribed in the Appendix to this *Instrument* shall apply.

(5) In the event of a conflict or inconsistency between the meaning ascribed to a term in the *FASB Standard* and the meaning ascribed to the term in the *SPEE Handbook*, the meaning ascribed in the *SPEE Handbook* shall apply.

PART 2. MEASUREMENT

2.1 Accounting Methods - A *reporting issuer* engaged in *oil and gas activities* that discloses financial statements prepared in accordance with *Canadian GAAP* shall use

(a) the full cost method of accounting, applying *CICA Accounting Guideline 5*; or

(b) the successful efforts method of accounting, applying *FAS 19*.

2.2 Estimating *Reserves*, *Future Net Revenue* and the *Standardized Measure*

(1) Estimates of *reserves, future net revenue* and the *standardized measure* contained in a document filed with the *securities regulatory authority* under this *Instrument* shall, in addition to other requirements of this *Instrument*, be prepared by a *qualified evaluator*

(a) in accordance with *SPEE standards*;

(b) in the case of *proved oil and gas reserve quantities* and the related *standardized measure,* using *constant prices and costs* and applying the *FASB Standard*;

(c) in the case of *reserves* and related *future net revenue*, other than *proved oil and gas reserve quantities* and the related *standardized measure*, using *forecast prices and costs*;

(d) assuming that development of a *property* will occur, without regard to the likely availability of funding required for that development;

(e) deducting reasonably estimated future abandonment and reclamation costs related to a particular *property*, for the purpose of determining whether *reserves* should be attributed to that *property* in the first year in which *reserves* are considered for attribution to the *property*;

(f) deducting reasonably estimated aggregate future abandonment and reclamation costs in estimating aggregate *future net revenue* and the *standardized measure*; and

(g) in the case of *proved oil and gas reserve quantities*, reflecting a high degree of certainty of recoverability by targeting a 90 percent probability that at least the estimated *proved oil and gas reserve quantities* will be recovered.

---

[1] For the convenience of readers, the Appendix to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics in this *Instrument, Form 51-101F1*, *Form 51-101F2*, *Form 51-101F3* or the Companion Policy.

[2] A national definition instrument has been adopted as National Instrument 14-101 *Definitions* ("*NI 14-101*"). It contains definitions of certain terms used in more than one national instrument. *NI 14-101* also provides that a term used in a national instrument and defined in the statute relating to securities of the applicable *jurisdiction*, the definition of which is not restricted to a specific portion of the statute, will have the meaning given to it in that statute, unless the context otherwise requires. *NI 14-101* also provides that a provision or a reference within a provision of a national instrument that specifically refers by name to a *jurisdiction*, other than the local jurisdiction, shall not have any effect in the local jurisdiction, unless otherwise stated in the provision.

(2) The date or period with respect to which the effects of an event or transaction are recorded in a *reporting issuer's* annual financial statements shall be the same as the date or period with respect to which they are first reflected in the *reporting issuer's* annual *reserves data* disclosure under Part 5.

(3) For the purposes of this *Instrument,* despite any indication to the contrary in *FAS 69* or in the *FASB Standard*, the *FASB Standard,* as it relates to *reserves* and the *standardized measure,* applies to *reporting issuers* engaged in the extraction of hydrocarbons from shale, tar sands and coal.

PART 3. RESPONSIBILITIES OF *REPORTING ISSUERS* AND DIRECTORS

3.1 Interpretation - For the purposes of this Part, a reference to a board of directors means, if a *reporting issuer* does not have a board of directors, the individuals whose authority and duties with respect to the *reporting issuer* are similar to those of a board of directors.

3.2 *Reporting Issuer* to Appoint *Independent Qualified Evaluator* - A *reporting issuer* shall appoint one or more *independent qualified evaluators* to report to its board of directors on the *reporting issuer's reserves data*.

3.3 *Reporting Issuer* to Make Information Available to *Independent Qualified Evaluator* - A *reporting issuer* shall make available, to each *independent qualified evaluator* that it appoints under section 3.2, all information reasonably necessary to enable the *independent qualified evaluator* to provide a report that will, when approved and filed with the *securities regulatory authority*, satisfy the applicable requirements of Parts 4 and 5.

3.4 Certain Responsibilities of Board of Directors - The board of directors of a *reporting issuer* shall

(a) review, with reasonable frequency, the *reporting issuer's* procedures relating to the disclosure of information with respect to *oil and gas activities* or the extraction of hydrocarbons from shale, tar sands or coal, including its procedures for complying with the disclosure requirements and restrictions of this *Instrument*;

(b) review each appointment under section 3.2 and, in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed *qualified evaluator* and management of the *reporting issuer*;

(c) review, with reasonable frequency, the *reporting issuer's* procedures for providing information to the *independent qualified evaluator* who reports on *reserves data* for the purposes of this *Instrument*;

(d) before approving the filing of *reserves data* and the report thereon referred to in section 5.1, meet with management and each *independent qualified evaluator* appointed under section 3.2, to

(i) determine whether any restrictions affect the ability of the *independent qualified evaluator* to report on *reserves data* without *reservation*; and

(ii) review the *reserves data* and the report thereon of the *independent qualified evaluator*; and

(e) review and approve

(i) the content and filing, under section 5.1, of the statement referred to in item 1 of section 5.1;

(ii) the filing, under section 5.1, of the report referred to in item 2 of section 5.1; and

(iii) the content and filing, under section 5.1, of the report referred to in item 3 of section 5.1.

3.5 Reserves Committee

(1) The board of directors of a *reporting issuer* may, subject to subsection (2), delegate the responsibilities set out in section 3.4 to a committee of the board of directors, provided that a majority of the members of the committee are free from any business or other relationship which could reasonably be seen to interfere with the exercise of their independent judgement, including being, or having been during the preceding 12 months

(a) an officer or employee of the *reporting issuer* or of an affiliate of the *reporting issuer*;

(b) a person who beneficially owns 10 percent or more of the outstanding voting securities of the *reporting issuer*; or

(c) a relative of a person referred to in paragraph (a) or (b), residing in the same home.

(2) Despite subsection (1), a board of directors of a *reporting issuer* shall not delegate its responsibility under paragraph 3.4(e) to approve the content or the filing of information.

(3) A board of directors that has delegated responsibility to a committee pursuant to subsection (1) shall solicit the recommendation of that committee as to whether to approve the

content or the filing of information for the purposes of paragraph 3.4(e).

PART 4. REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

4.1 Application of Part 4 - This Part applies to disclosure made by or on behalf of a *reporting issuer*

(a) to the public;

(b) in a document filed with a *securities regulatory authority*; or

(c) in other circumstances in which, at the time of making the disclosure, the *reporting issuer* knows, or ought reasonably to know, that the disclosure is or will become available to the public.

4.2 Consistency with *Reserves Data* and Other Information - If a *reporting issuer* makes disclosure of information of a type that is required to be included in a statement filed with a *securities regulatory authority* under item 1 of section 5.1, the information shall be

(a) prepared in accordance with Part 2, as applicable; and

(b) consistent with the corresponding information, if any, contained in the statement most recently filed by the *reporting issuer* with the *securities regulatory authority* under item 1 of section 5.1, except to the extent of changes disclosed in a report of a material change[3] filed by the *reporting issuer* with the *securities regulatory authority*.

4.3 *Oil* and *Gas Reserves* and Sales - Disclosure of *reserves* or sales of *oil* or *gas* shall be made only in respect of *marketable oil* or *gas*, reflecting prices for the product in the condition, upgraded or not upgraded, processed or unprocessed, in which it is to be, or was, sold.

4.4 *Natural Gas* Liquids - Disclosure concerning *natural gas* liquids shall be made in respect only of volumes that have been or are to be recovered prior to the point at which *marketable gas* is measured.

4.5 *Future Net Revenue* Not Fair Value - Disclosure of an estimate of *future net revenue* or of the *standardized measure* shall include a statement to the effect that the estimated values disclosed do not represent fair market value.

4.6 Consent of *Qualified Evaluator*

(1) Disclosure of information relating to *reserves data* obtained by a *reporting issuer* from a *qualified evaluator*, or disclosure of the identity of the *qualified evaluator,* shall be made only with the written consent of that *qualified evaluator*.

(2) Subsection (1) does not apply to the filing by a *reporting issuer*, under item 2 of section 5.1, of a report delivered by an *independent qualified evaluator* to the board of directors of the *reporting issuer* pursuant to an appointment under section 3.2, or to the identification of that *independent qualified evaluator* by the *reporting issuer* in a news release referred to in section 5.2.

4.7 Disclosure of Less Than All *Reserves* - If a *reporting issuer* that has more than one *property* makes written disclosure of any *reserves* attributable to a particular *property*,

(a) the disclosure shall include a statement to the effect that "Estimates of reserves and future net revenue for individual properties may not have as high a level of probability as the total for all properties, due to the effects of aggregation"; and

(b) the document containing the disclosure shall also disclose *reserves* of the same category in total for all *properties* of the *reporting issuer*.

4.8 Disclosure Concerning *Prospects* - If a *reporting issuer* discloses expected results from a *prospect*, the *reporting issuer* shall also disclose in writing, in the same document or in a *supporting filing*, in respect of the *prospect*

(a) the location and basin name;

(b) the distance to the nearest analogous commercial production;

(c) the drilling commencement and completion dates;

(d) the name, geologic age and lithology of the target zone;

(e) the depth of the target zone;

(f) the estimated cost to drill and test a well to the target depth;

(g) the range of pool or *field* sizes and the probability of success and risks;

(h) the *product type* reasonably expected;

[3] "Material change" has the meaning ascribed to the term under current *securities legislation* in the *jurisdiction*.

(i) the *reporting issuer's gross* and *net* interest, expressed in acres, and its *gross* and *net* interest in any *production* or *reserves*;

(j) the identity and relevant experience of the operator;

(k) expected marketing and transportation arrangements;

(l) the price environment; and

(m) the applicable information specified in section 4.9.

4.9 Estimates of Fair Value

(1) If a *reporting issuer* discloses in writing an estimate of the fair value of a *property*, of a *prospect* or of *resources*, or discloses expected results from a *prospect*, the disclosure shall include all positive and negative factors relevant to the estimate or expectation.

(2) If a *reporting issuer* discloses in writing an estimate of the fair value of a *property*, of a *prospect* or of *resources*

(a) in the case of an estimate of the fair value of a *property*, except as provided in paragraph (b), the estimate shall be based on the first applicable item listed below, and that item shall be described as the basis of the estimate in the document containing the disclosure or in a *supporting filing*:

1. the acquisition cost to the issuer, provided that there have been no material changes in the *property*, the surrounding *properties*, or the general *oil* and *gas* economic climate since acquisition;

2. recent sales of interests by others in the same *property*;

3. terms and conditions, expressed in monetary terms, of recent farm-in agreements related to the *property*;

4. terms and conditions, expressed in monetary terms, of recent work commitments related to the *property*;

5. recent sales of similar *properties* in the same general area;

(b) in the case of an estimate of fair value to which none of the items listed in paragraph (a) applies

(i) the estimate shall be prepared or accepted by a professional valuator, who is not a "related party" of the *reporting issuer* within the meaning of the term as used in the Handbook of the *CICA,* applying valuation standards established by the professional organization of which the valuator is a member and from which the valuator derives professional standing;

(ii) the estimate shall consist of at least a reasonable three-part range of values that reflect a range of likelihood (the low value being pessimistic, the middle value being most likely, and the high value being optimistic) reflecting the course of action reasonably expected to be followed by the *reporting issuer*;

(iii) the estimate, and the identities of the professional valuator and of the professional organization referred to in subparagraph (i), shall be set out in the document containing the disclosure or in a *supporting filing*; and

(iv) the *reporting issuer* shall obtain from the professional valuator referred to in subparagraph (i)

(A) a report on the estimate that does not contain

(I) a disclaimer that materially detracts from the usefulness of the estimate; or

(II) a statement that the report may not be relied on; and

(B) the professional valuator's written consent to the disclosure of the report by the *reporting issuer* to the public.

4.10 Net Asset Value and Net Asset Value per Share - Written disclosure of net asset value or net asset value per share shall include a description of the methods used to value assets and liabilities and the number of shares used in the calculation.

4.11 Reserve Replacement - Written disclosure concerning reserve replacement shall include an explanation of the method of calculation applied.

4.12 Netbacks - If written disclosure is made of a netback

(a) the disclosure shall include separate netbacks for each *product type*, by country; and

(b) the netbacks shall be calculated by subtracting royalties and operating costs from revenues.

4.13 *BOEs* and *Mcfes* - If written disclosure includes information expressed in *BOEs* or in *mcfes*

(a) the information shall be presented

(i) in the case of *BOEs*, using *BOEs* derived by converting *gas* to *oil* in the ratio of six thousand cubic feet of *gas* to one barrel of *oil* (6*mcf*:1*bbl*);

(ii) in the case of *mcfes*, using *mcfes* derived by converting *oil* to *gas* in the ratio of one barrel of *oil* to six thousand cubic feet of *gas* (1*bbl*:6*mcf*); and

(iii) with the conversion ratio stated;

(b) if the information is also presented using *BOEs* or *mcfes* derived using a conversion ratio other than a ratio specified in paragraph (a), that other conversion ratio shall be stated; and

(c) the disclosure shall include a statement to the effect that "*BOEs* [or "Mcfes"] are very approximate comparative measures that, in some cases, could mislead, particularly if used in isolation.".

4.14 Finding and Development Costs - If written disclosure is made of finding and development costs

(a) those costs shall be calculated using both of the following methods, in each case after eliminating the effects of acquisitions and dispositions:

1. Method 1 - $\frac{a+b+c}{x}$

2. Method 1 - $\frac{a+b+d}{y}$

where a = *exploration costs* incurred in the most recent financial year
b = *development costs* incurred in the most recent financial year
c = the change during the most recent financial year in estimated future *development costs* relating to *proved reserves*
d = the change during the most recent financial year in estimated future *development costs* relating to *proved reserves* and *probable reserves*
x = additions to *proved reserves*, expressed in *BOEs*, during the most recent financial year
y = additions to *proved reserves* and *probable reserves*, expressed in *BOEs*, during the most recent financial year

(b) the disclosure shall include

(i) the results of both methods of calculation under paragraph (a); and

(ii) comparative information for the most recent financial year, the second most recent financial year and the averages for the three most recent financial years.

PART 5. ANNUAL FILING REQUIREMENTS

5.1 *Reserves Data* and Additional *Oil* and *Gas* Information - A *reporting issuer* shall, not later than the date on which it is required to file audited financial statements for its most recent financial year, file with the *securities regulatory authority* the following:

1. ***Reserves Data* and Other Information** - a statement of the *reserves data* and other information specified in *Form 51-101F1*, as at the last day of the *reporting issuer's* most recent financial year and for the financial year then ended;

2. **Report of *Independent Qualified Evaluator*** - a report on the *reserves data* set out in the statement referred to in paragraph (a) that is

(a) prepared in accordance with *Form 51-101F2*;

(b) contained in, or filed concurrently with, the document filed under item 1; and

(c) signed by one or more *qualified evaluators* each of whom is *independent* of the *reporting issuer*, who shall have

(i) *evaluated* or *audited* at least 75 percent of the estimated *future net revenue* (discounted using a discount rate of 10 percent) from *proved* plus *probable reserves*; and

(ii) *reviewed* the balance of such *future net revenue*;

3. **Management Report** - a report, prepared in accordance with *Form 51-101F3*, that

(a) refers to the information filed or to be filed under items 1 and 2;

(b) confirms the *reporting issuer's* responsibility for the content of the information filed or to be filed under item 1 and this item, and for the filing of the information filed or to be filed under items 1 and 2 and this item; and

(c) is contained in, or filed concurrently with, the document filed under item 1.

5.2 News Release to Announce Filing - A *reporting issuer* shall, concurrently with filing a statement and reports under section 5.1, disseminate a news release announcing that filing and indicating where a copy of the filed information can be found for viewing by electronic means.

5.3 Inclusion in *Annual Information Form* - The requirements of section 5.1 may be satisfied by including the information specified in section 5.1 in an

annual information form filed within the time specified in section 5.1.

5.4 *Reservation* in Report of *Independent Qualified Evaluator*

(1) If an *independent qualified evaluator* cannot report on *reserves data* without *reservation*, the report of the *independent qualified evaluator* prepared for the purpose of item 2 of section 5.1 shall set out the cause of the *reservation* and the effect, if known to the *independent qualified evaluator*, on the *reserves data*.

(2) A report containing a *reservation,* the cause of which can be removed by the *reporting issuer*, does not satisfy the requirements of item 2 of section 5.1.

PART 6. MATERIAL CHANGE[4] DISCLOSURE

6.1 Material Change from Information Filed under Part 5

(1) This Part applies in respect of a material change that, had it occurred on or before the *effective date* of information included in the document most recently filed by a *reporting issuer* under item 1 of section 5.1, would have resulted in a significant change in the information contained in the document.

(2) Despite subsection (1), this Part does not apply in respect of a material change as it would affect an estimate derived using *constant prices and costs*.

(3) In addition to any other requirement of *securities legislation* governing disclosure of a material change, disclosure of a material change referred to in subsection (1) shall

(a) identify the document filed under Part 5 that contains the original information referred to in subsection (1); and

(b) discuss the *reporting issuer's* reasonable expectation of how the material change, had it occurred on or before the *effective date* referred to in subsection (1), would have affected the *reserves data* or other information contained in the document identified under paragraph (a).

PART 7. OTHER INFORMATION

7.1 Information to be Furnished on Request - A *reporting issuer* shall, on the request of the *regulator*, deliver additional information with respect to the content of a document filed under this *Instrumen*t.

PART 8. EXEMPTIONS

8.1 Exemption

(1) The *regulator* or the *securities regulatory authority* may grant an exemption from this *Instrument*, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario only the *regulator* may grant an exemption.

PART 9. INSTRUMENT IN FORCE

9.1 Coming Into Force - This *Instrument* comes into force on [January 1, 2003].

9.2 Transition - Despite section 9.1, this *Instrument* does not apply to a *reporting issuer* unless

(a) 140 days have elapsed from the end of its financial year that includes or ends on December 31, 2002; or

(b) it has filed with the *securities regulatory authority*, for the purposes of section 5.1, the statement referred to in item 1 of section 5.1.

[4] In this Part, "material change" has the meaning ascribed to the term under current *securities legislation* in the *jurisdiction*.

APPENDIX
to
NATIONAL INSTRUMENT 51-101

STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

DEFINITIONS

In National Instrument 51-101 S*tandards of Disclosure for Oil and Gas Activities*:

(a) *annual information form* means:

(i) a "current AIF", as defined in *NI 44-101*;

(ii) in the case of a *reporting issuer* that is eligible to file, for the purposes of Part 3 of *NI 44-101,* a current annual report on Form 10-K or Form 20-F under the 1934 Act, such a current annual report so filed; or

(iii) a document prepared in the form of Form 44-101F1 *AIF* and filed with the *securities regulatory authority* in the *jurisdiction* in accordance with *securities legislation* of the *jurisdiction* other than *NI 44-101*;

(b) "*BOE*s" means barrels of *oil* equivalent;

(c) "*CICA*" means The Canadian Institute of Chartered Accountants;

(d) "*CICA Accounting Guideline 5*" means Accounting Guideline AcG-5 "Full cost accounting in the oil and gas industry" included in the Handbook of the *CICA*, as amended from time to time;

(e) "*effective date*", in respect of information, means the date as at which, or for the period ending on which, the information is prepared or provided;

(f) "*FAS 19*" means *FASB* Statement of Financial Accounting Standards No. 19 "Financial Accounting and Reporting by Oil and Gas Producing Companies", as amended from time to time;

(g) "*FAS 69*" means *FASB* Statement of Financial Accounting Standards No. 69 "Disclosures about Oil and Gas Producing Activities -- an amendment of FASB Statements 19, 25, 33, and 39", as amended from time to time;

(h) "*FASB*" means The United States Financial Accounting Standards Board;

(i) "*FASB Standard*" means paragraphs .103, .106, .107, .108, .112, .160 through .167, .174 through .184 and .401 through .408 of the "Financial Accounting Standards Board Current Text Section Oi5, Oil and Gas Producing Activities", as amended from time to time;

(j) "*Form 51-101F1*" means Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*;

(k) "*Form 51-101F2*" means Form 51-101F2 *Report on Reserves Data by Independent Qualified Evaluator*;

(l) "*Form 51-101F3*" means Form 51-101F3 *Report of Management on Oil and Gas Disclosure*;

(m) "*independent*", in respect of the relationship between a *reporting issuer* and a *qualified evaluator*, means "independent" in accordance with *SPEE standards*;

(n) "*mcfes*" means thousand cubic feet of *gas* equivalent;

(o) "*NI 44-101*" means National Instrument 44-101 *Short Form Prospectus Distributions*;

(p) "*preparation date*", in respect of written disclosure, means the most recent date of information considered in the preparation of the disclosure;

(q) "*product type*" means one of the following four types of hydrocarbon product:

(i) light and medium *crude oil* including *natural gas* liquids (combined);

(ii) *heavy oil*;

(iii) *synthetic oil*; or

(iv) *natural gas*;

(r) "*proved oil and gas reserve quantities*" means "proved oil and gas reserve quantities" "proved oil and gas reserves" and "proved reserves" referred to in the *FASB Standard*;

(s) "*qualified evaluator*" means an individual *evaluator* who:

(i) in respect of estimates of particular *reserves data* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation*, *review* or *audit* of the *reserves data* and related information; and

(ii) is a member in good standing of a self-regulatory organization of engineers, geologists, other geoscientists or other professionals whose profession is relevant for the applicable purpose under subparagraph (i) that:

(A) admits members primarily on the basis of their educational qualifications;

(B) requires its members to comply with the professional standards of competence and ethics established by the organization;

(C) has disciplinary powers, including the power to suspend or expel a member; and

(D) is either:

(I) given authority or recognition by statute in a Canadian jurisdiction; or

(II) accepted for this purpose by the *securities regulatory authority* or the *regulator*;

(t) "*reserves data*" means a statement of estimates in respect of a *reporting issuer*, in total and by country, that has four components:

(i) *proved reserves* and *probable reserves*, each of which is a quantity estimated as at the last day of the *reporting issuer's* most recent financial year, using *forecast prices and costs*;

(ii) *proved oil and gas reserve quantities*, estimated as at the last day of the *reporting issuer's* most recent financial year, using *constant prices and costs* as at the last day of that financial year;

(iii) *future net revenue* attributable to *proved reserves* and *probable reserves*, estimated as at the last day of the *reporting issuer's* most recent financial year, using *forecast prices and costs*; and

(iv) the *standardized measure*, estimated as at the last day of the *reporting issuer's* most recent financial year, using *constant prices and costs* as at the last day of that financial year;

(u) "*SPEE*" means the Canadian committee of The Society of Petroleum Evaluation Engineers;

(v) "*SPEE Handbook*" means the "Canadian Oil and Gas Evaluator's Handbook" issued by the *SPEE*, as at [----------, 2002];

(w) "*SPEE standards*" means the standards, procedures and terminology specified in the *SPEE Handbook*;

(x) "*standardized measure*" means the "standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities" referred to in paragraph .180 of the *FASB Standard*;

(y) "*supporting filing*", in respect of a *reporting issuer*, means a document filed by the *reporting issuer* with the *securities regulatory authority*, provided that events subsequent to its filing have not rendered the information contained in the document inaccurate or misleading.

FORM 51-101F1

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

TABLE OF CONTENTS

FORM 51-101F1

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

This is the form referred to in item 1 of section 5.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("*NI 51-101*").

GENERAL INSTRUCTIONS

*(1) Unless otherwise specified in this Form, information provided under item 1 of section 5.1 of **NI 51-101** shall be prepared as at the last day of the issuer's most recent financial year or for its financial year or financial years then ended.*

*(2) Terms for which a meaning is given in **NI 51-101** have the same meaning in this Form[1].*

(3) It is not necessary to include the headings or numbering, or follow the ordering of items, in this Form.

(4) To the extent that information is provided in response to any item of this Form, it need not be repeated.

*(5) To the extent that any item or any component of an item specified in this Form does not apply to an issuer and its activities and operations, or is not **material**, no reference need be made to that item or component. It is not necessary to state that such an item or component is "not applicable" or "not material". Materiality is discussed in **NI 51-101** and Companion Policy 51-101CP.*

*(6) This Form sets out minimum requirements. With the exception of the disclosure of **reserves data** under Part 2, an issuer may provide additional information not required in this Form provided that it is not misleading and not inconsistent with the requirements of **NI 51-101** or with other information filed in accordance with **NI 51-101**, and that material information required to be provided is not omitted.*

PART 1. DATE OF STATEMENT

Item 1.1 Relevant Dates

1. Disclose the *effective date* of the information being provided.

2. Disclose the *preparation date* of the information being provided.

INSTRUCTIONS

*(1) For the purpose of Part 5 of **NI 51-101**, and consistent with the definition of **reserves data** and general instruction 1 of this Form, the date to be disclosed under section 1 of Item 1.1 is the last day of the issuer's most recent financial year. It is the date of the balance sheet for the issuer's most recent financial year (for example, as at December 31, 20xx) and the ending date of the issuer's most recent annual statement of income (for example, for the year ended December 31, 20xx).*

*(2) The same **effective date** applies to **reserves**, **proved oil and gas reserve quantities, future net revenue** and the **standardized measure**. References to a change in an item of information, such as changes in production or the change in the **standardized measure**, mean changes in respect of that item during the year ended on the **effective date**.*

*(3) The **preparation date** is, of necessity, a date subsequent to the **effective date** because it takes some time from the year-end date to actually prepare the information to be provided as at the year-end date.*

*(4) Consider information resulting from events or transactions that occur after the **effective date** but before the **preparation date**, and consider whether additional disclosure is necessary, to ensure that the information provided as at the **effective date** will not be misleading. In some cases (for example, where a subsequent event results in the resolution of an uncertainty that existed at the **effective date**), this will require not simply disclosure of the effect of the subsequent event but rather, or also, an adjustment of the information disclosed as at the **effective date**.*

*(5) If the issuer chooses to provide information as at a date more recent than the **effective date**, the date as at which that additional information is prepared must also be stated. The provision of such additional information does not relieve the issuer of the obligation to also provide information as at the **effective date**.*

PART 2. *RESERVES DATA*

Item 2.1 Disclosure of *Reserves Data*

Disclose the *reserves data*, by country and in total.

INSTRUCTIONS

*(1) As defined in **NI 51-101**, **reserves data** have only four components, each of which is an aggregate estimate for the issuer:*

*(i) **proved reserves** and **probable reserves**, each of which is a quantity of **oil** and **gas** estimated as at the last day of the issuer's most recent*

[1] For the convenience of readers, the Appendix to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics (or, in the Instructions, in bold type) in this Form or in *NI 51-101*, *Form 51-101F2*, *51-101F3* or the Companion Policy.

*financial year using **forecast prices and costs**, and which categories of **reserves** are to be disclosed separately in response to Item 2.1;*

*(ii) **proved oil and gas reserve quantities**, estimated as at the last day of the issuer's most recent financial year, using **constant prices and costs** as at the last day of that financial year;*

*(iii) **future net revenue** attributable to **proved reserves** and **probable reserves**, estimated as at the last day of the issuer's most recent financial year using **forecast prices and costs** as at the last day of that financial year; and*

*(iv) the **standardized measure**, estimated as at the last day of the issuer's most recent financial year, using **constant prices and costs** as at the last day of that financial year.*

*(2) **Possible reserves**, and **future net revenue** attributable to **possible reserves**, do not form part of **reserves data**.*

(3) Part 3 applies to this Item 2.1.

(4) Notwithstanding General Instruction (3), the information specified in this Item 2.1 must be disclosed together even if a portion of that information is repeated elsewhere.

PART 3. ADDITIONAL REQUIREMENTS FOR DISCLOSING *RESERVES DATA* AND RELATED INFORMATION

Item 3.1 Disclosure of *Reserves* to Vary with Accounting

In determining *reserve* quantities to be disclosed:

(a) **Consolidated Financial Disclosure** - if the issuer files consolidated financial statements:

(i) include 100 percent of *reserve* quantities attributable to the parent company and 100 percent of the *reserve* quantities attributable to its consolidated subsidiaries (whether or not wholly-owned); and

(ii) if a significant portion of *reserve* quantities referred to in subparagraph (i) is attributable to a consolidated subsidiary in which there is a significant minority interest, disclose that fact and the approximate portion of such *reserve* quantities attributable to the minority interest;

(b) **Proportionate Consolidation** - if the issuer files financial statements in which investments are proportionately consolidated, the issuer's disclosed *reserve* quantities must include the issuer's proportionate share of the investees' *oil* and *gas reserves*; and

(c) **Equity Accounting** - if the issuer files financial statements in which investments are accounted for by the equity method, do not include investees' *oil* and *gas reserve* quantities in disclosed *reserve* quantities of the issuer, but disclose the issuer's share of the investees' *oil* and *gas reserve* quantities separately.

Item 3.2 Disclosure of *Future Net Revenue* to Vary with Accounting

1. **Consolidated Financial Disclosure** - If the issuer files consolidated financial statements, and if a significant portion of the issuer's economic interest in *future net revenue* is attributable to a consolidated subsidiary in which there is a significant minority interest, disclose that fact and the approximate portion of the economic interest in *future net revenue* attributable to the minority interest.

2. **Equity Accounting** - If the issuer files financial statements in which investments are accounted for by the equity method, do not include the investees' *future net revenue* relating to *proved, probable* or *possible oil* and *gas reserves* in disclosed *future net revenue* of the issuer, but disclose the issuer's share of such *future net revenue* of investees separately, in the aggregate and by country.

PART 4. ADDITIONAL INFORMATION CONCERNING *RESERVES DATA* AND RELATED INFORMATION

Item 4.1 Additional Information Concerning *Proved Oil and Gas Reserve Quantities* and the *Standardized Measure*

Disclose the information specified in paragraphs .160 through .184 of the *FASB Standard*.

Item 4.2 Additional Information Concerning *Reserves*

1. Disclose the issuer's *reserves*, *gross* and *net*, estimated using *forecast prices and costs*, in total and by country, in the following categories:

(a) *proved developed producing reserves*;

(b) *proved developed non-producing reserves*;

(c) *proved undeveloped reserves*;

(d) *probable reserves*; and

(e) *possible reserves* (if *possible reserves* are disclosed in the information filed under item 1 of section 5.1 of *NI 51-101*).

2. For each of *proved reserves* (in total), *probable reserves*, and *possible reserves* (if *possible reserves* are disclosed in the information filed under item 1 of section 5.1 of *NI 51-101*), estimated using *forecast prices and costs*, provide the following additional information:

(a) the issuer's *gross* interest and *net* interest;

(b) the issuer's royalty interests; and

(c) a breakdown by *product type*.

3. For *proved undeveloped reserves*, provide the following additional information:

(a) disclose when the *proved undeveloped reserves* were first attributed, specifying, by *product type*, the amount of the *proved undeveloped reserves* first attributed in each of the most recent five financial years and the amount first attributed before that time; or

(b) discuss generally the basis on which the issuer attributes *proved undeveloped reserves*, its plans (including timing) for developing the *proved undeveloped reserves* and, if applicable, its reasons for not planning to develop particular *proved undeveloped reserves* during the following two years.

Item 4.3 Additional Information Concerning *Future Net Revenue*

Specify the issuer's *future net revenue* attributable to each of *proved reserves*, *probable reserves* and *possible reserves* (if *possible reserves* are disclosed in the information filed under item 1 of section 5.1 of *NI 51-101*) by country and in total, in each case:

(a) separately identifying:

(i) estimated future revenues;

(ii) royalties;

(iii) *development costs*;

(iv) operating costs (abandonment and reclamation costs may be included in operating costs or disclosed separately); and

(v) *future income tax expenses*; and

(b) specifying *future net revenue* estimated:

(i) without discount;

(ii) discounted at 10 percent; and

(iii) discounted at 15 percent.

Item 4.4 Constant Prices Used in Estimates

For each *product type*, disclose the prices, as at the last day of the issuer's most recent financial year, used in estimating *proved oil and gas reserve quantities* and the *standardized measure*.

Item 4.5 Forecast Prices Used in Estimates

1. For each *product type*, disclose:

(a) the forecast prices used in estimating *reserves* and *future net revenue* under Items 4.2 and 4.3:

(i) for each of the following five financial years; and

(ii) generally, for subsequent periods; and

(b) the issuer's weighted average historical prices for the most recent financial year.

2. The forecast prices disclosed in response to section 1 shall be prices generally referenced for trading in that field, region or country.

3. If the forecast prices specified in response to section 1 were provided by a *qualified evaluator independent* of the issuer, disclose that fact and identify the *qualified evaluator*.

INSTRUCTION

(1) "Prices generally referenced for trading" may be obtained from sources such as public product trading exchanges or prices posted by purchasers, taking into account differentials (including transportation or marketing fees) from the referenced price location to the issuer's point of sale.

*(2) Under section 4.6 of **NI 51-101**, the issuer must obtain the **qualified evaluator's** written consent to disclose his or her identity in response to section 3 of Item 4.5 of this Form.*

Item 4.6 Future *Development Costs*

1. Disclose the amount of *development costs*:

(a) deducted in the calculation of *future net revenue*, in total and by year for each of the first five years estimated; and

(b) included in the estimates of each of the categories of *reserves* disclosed in response to Item 2.1, by country, separately for each *product type*.

2. If the issuer believes that new funds from external sources would be necessary to pay for estimated future *development costs*, disclose:

(a) that fact;

(b) the issuer's estimated costs of obtaining the required funds (including costs of anticipated borrowing, farm-outs or similar arrangements); and

(c) if such estimated costs would likely make development uneconomic, the estimated effects on disclosed *reserves* and *future net revenue*, including, if applicable, the reclassification of disclosed *reserves* as *resources*.

INSTRUCTION

*Disclosure in response to section 1 of Item 4.6, by **product type**, may require a reasonable allocation of costs.*

Item 4.7 *Future net revenue* before abandonment and reclamation costs and *future income tax expenses*

Disclose the net present value of *future net revenue* before deducting abandonment and reclamation costs and *future income tax expenses*, estimated using a discount rate of 10 percent, separately by *product type*, for each of:

(a) *proved reserves*;

(b) *probable reserves*; and

(c) *possible reserves* (if *possible reserves* are disclosed in the information filed under item 1 of section 5.1 of *NI 51-101*).

Item 4.8 Changes in *Standardized Measure*

In addition to the requirements of Item 4.1, include in the disclosure of changes in the *standardized measure* under paragraph .183 of the *FASB Standard* the information referred to clause e. of that paragraph, separately for each of purchases and sales.

PART 5. OTHER *OIL* AND *GAS* INFORMATION

Provide information under Part 5 as at the *effective date*.

Item 5.1 *Oil* and *gas properties* and wells

1. Identify and describe generally the issuer's important *properties*, plants, facilities and installations:

   (a) identifying their location, by province, territory or state if in Canada or the United States and by country otherwise;

   (b) indicating whether they are located onshore or offshore;

   (c) in respect of *properties* to which *reserves,* disclosed under item 1 of section 5.1 of *NI 51-101*, have been attributed, if the *properties* are capable of producing but are not producing, disclosing generally how long they have been in that condition and discussing the general proximity of pipelines or other means of transportation; and

   (d) describing generally any statutory or other mandatory relinquishments, surrenders, back-ins or changes in ownership.

2. State, separately for *oil* wells and *gas* wells, the number of the issuer's producing wells and non-producing wells, expressed in terms of both *gross* wells and *net* wells, by location (province, territory or state if in Canada or the United States and by country otherwise).

Item 5.2 *Properties* with no attributed *reserves*

1. For all *properties* to which no *reserves* are attributed, disclose:

   (a) the *gross* acreage in which the issuer has an interest;

   (b) the interest of the issuer therein expressed in terms of net leaseable acreage;

   (c) the location, by country; and

   (d) the existence, nature (including any bonding requirements), timing and cost (specified or estimated) of any work commitments.

2. Disclose, by country, the *net* area of *property* to which no *reserves* are attributed and for which the issuer expects its rights to explore, develop and exploit to expire within one year.

Item 5.3 Forward Contracts

1. If the issuer is bound by an agreement (including a transportation agreement), directly or through an aggregator, under which it may be precluded from fully realizing, or be protected from the full effect of, future market prices for *oil*, *synthetic oil* or *gas*, describe the agreement, providing dates, time periods and summaries or ranges of volumes and contracted or reasonably estimated values.

2. Section 1 does not apply to:

   (a) agreements disclosed by the issuer as financial instruments in accordance with Section 3860 of the Handbook of the *CICA*; or

   (b) agreements disclosed by the issuer as contractual obligations or commitments in accordance with Section 3280 of the Handbook of the *CICA*.

3. If the issuer's transportation obligations or commitments for future physical deliveries of *oil* or *gas* exceed the issuer's expected related future production from its *proved reserves*, estimated using *forecast prices and costs* and included as part of *reserves data*, disclose the amount of such excess, providing dates, time periods, volumes and reasonably estimated value.

Item 5.4 Abandonment and reclamation costs

In respect of abandonment and reclamation costs for surface *leases*, wells, facilities and pipelines, disclose:

(a) how the issuer estimates such costs;

(b) the number of *net* wells for which the issuer is to incur such costs;

(c) the total amount of such costs expected to be incurred, undiscounted and discounted at 10 percent;

(d) the extent to which such costs, expected to be incurred, have not been deducted in estimating the *reserves data* disclosed under Part 2; and

(e) the amount of such costs that the issuer expects to pay in the next three financial years, in total.

Item 5.5 Tax Horizon

If the issuer is not required to pay income taxes for its most recently completed financial year, discuss its estimate of when income taxes may become payable.

Item 5.6 Exploration and Development Activities

1. Disclose, by country and separately for *exploratory wells* and *development wells:*

   (a) the number of *gross* wells and *net* wells, completed in the issuer's most recent financial year; and

   (b) for each category of wells disclosed under paragraph (a), the number completed as *oil* wells, *gas* wells and *service wells* and the number that were dry holes.

2. Describe generally the issuer's most important current and likely exploration and development activities, by country.

Item 5.7 Production Estimates

1. Disclose, by country and by *product type*, the volume of production estimated for the first year reflected in the estimate of *future net revenue* disclosed under Item 4.3.

2. If one *field* accounts for 20 percent of more of the estimated production disclosed under section 1, identify that *field* and disclose the volume of production estimated for the *field* for that year.

Item 5.8 Production History

1. To the extent not previously disclosed in interim financial statements filed by the issuer, disclose, for each quarter of its most recent financial year, by country:

   (a) the issuer's share of average daily production volume, before deduction of royalties, by *product type*; and

   (b) by *product type*, as an average per barrel, for *oil,* and as an average per thousand cubic feet, for *gas*:

      (i) the product prices received;

      (ii) royalties paid;

      (iii) production (lifting) costs; and

      (iv) the resulting netback.

2. For each important field, and in total, disclose the issuer's production volumes for the most recent financial year, by *product type*.

FORM 51-101F2

REPORT ON RESERVES DATA
BY INDEPENDENT QUALIFIED EVALUATOR

This is the form referred to in item 2 of section 5.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("*NI 51-101*").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form[2].

2. The report on *reserves data* referred to in item 2 section 5.1 of *NI 51-101*, to be signed by a *qualified evaluator independent* of the issuer, shall in all material respects be as follows:

Report on Reserves Data

To the board of directors of [name of issuer] (the "Company"):

1. We have [audited] [evaluated] [and reviewed] the Company's Reserves Data as at [last day of the issuer's most recently completed financial year]. The Reserves Data are:

   (a) (i) proved and probable oil and gas reserves estimated as at [last day of the issuer's most recently completed financial year] using forecast prices and costs; and

   (ii) the related estimated future net revenue; and

   (b) (i) proved oil and gas reserve quantities, estimated as at [last day of the issuer's most recently completed financial year] using constant prices and costs; and

   (ii) the related standardized measure of discounted future net cash flows from oil and gas reserve quantities.

2. The Reserves Data are the responsibility of the Company's management. Our responsibility is to express an opinion on the Reserves Data based on our [audit] [evaluation] [and review].

3. We carried out our [audit] [evaluation] [and review] in accordance with standards established by the Canadian committee of The Society of Petroleum Evaluation Engineers.

4. Those standards require that we plan and perform an [audit] [evaluation] [and review] to obtain reasonable assurance as to whether the Reserves Data are free of material misstatement. An [audit] [evaluation] [and review] also includes assessing whether the Reserves Data are in accordance with principles and definitions established by the Canadian committee of The Society of Petroleum Evaluation Engineers.

5. The following sets forth the estimated proved plus probable future net revenue, estimated using forecast prices and costs, discounted at 10% included in the Reserves Data [audited] [evaluated] [and reviewed] for the year ended xxx xx, 20xx:

Independent Evaluator	Report Dated	Reserves Location (Country)	Audited	Evaluated	Reviewed	Total
Evaluator A	xxx xx, 20xx	xxxx	$xxx	$xxx	$xxx	$xxx
Evaluator B	xxx xx, 20xx	xxxx	xxx	xxx	xxx	xxx
Totals			$xxx	$xxx	$xxx	$xxx[3]

[2] For the convenience of readers, the Appendix to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F3* or the Companion Policy.

[3] This amount should be the amount reported by the issuer as its total *future net revenue* attributable to *proved* and *probable reserves*, in the *reserves data* included in the statement filed under item 1 of section 5.1 of NI 51-101.

6. In our opinion, the Reserves Data [audited] [evaluated] by us have, in all material respects, been determined and are presented in accordance with the standards established by the Canadian committee of The Society of Petroleum Evaluation Engineers.

7. We express no opinion on the Reserves Data reviewed.

8. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

9. Because the Reserves Data are based on judgements regarding future events, actual results will vary and the variations may be material.

Signed as to our report referred to above:

Evaluator A, City, Province/State, Date _____ [signed]
Evaluator B, City, Province/State, Date _____ [signed]

FORM 51-101F3

REPORT OF MANAGEMENT
ON OIL AND GAS DISCLOSURE

This is the form referred to in item 3 of section 5.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("*NI 51-101*").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form[4].

2. The report referred to in item 3 of section 5.1 of *NI 51-101* shall in all material respects be as follows:

Report on Reserves Data and Other Information:

Management of [name of issuer] (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. Such information includes Reserves Data, which are:

(a) (i) proved and probable oil and gas reserves estimated as at [last day of the issuer's most recently completed financial year] using forecast prices and costs; and

(ii) the related estimated future net revenue; and

(b) (i) proved oil and gas reserve quantities, estimated as at [last day of the issuer's most recently completed financial year] using constant prices and costs; and

(ii) the related standardized measure of discounted future net cash flows from oil and gas reserve quantities.

An independent qualified evaluator has [audited] [or evaluated] [and reviewed] the Company's Reserves Data. The report of the independent qualified evaluator [is presented below / will be filed with the [name of securities regulatory authority] concurrently with this report].

The [Reserves Committee of the] board of directors of the Company has (a) reviewed the Company's procedures for providing information to the independent qualified evaluator, (b) met with the independent qualified evaluator to determine whether any restrictions affected the ability of the independent qualified evaluator to report without reservation [and, because of the proposal to change the independent qualified evaluator, inquired whether there had been disputes between the previous independent qualified evaluator and Management] , and (c) reviewed the Reserves Data with management and the independent qualified evaluator.

The [Reserves Committee of the] board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has [, on the recommendation of the Reserves Committee,] approved the content and filing of the Reserves Data and other oil and gas information, the filing of the report of the independent qualified evaluator on the Reserves Data and the content and filing of this report.

Because the Reserves Data are based on judgements regarding future events, actual results will vary and the variations may be material.

_____
[signature, name and titles of chief executive officer]

_____
[signature, name and titles of officer responsible for reserves disclosure]

_____
[signature, name and title of a director/member of the reserves committee]

_____
[signature, name and title of a director/member of the reserves committee]

[Date]

[4] For the convenience of readers, the Appendix to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F2* or the Companion Policy.

COMPANION POLICY 51-101CP

STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

TABLE OF CONTENTS

COMPANION POLICY 51-101CP

STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

This Companion Policy sets out views of the Canadian Securities Administrators (the "CSA") as to the manner in which National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("*NI 51-101*") should be interpreted and how the *securities regulatory authorities* or *regulators* may exercise their discretion in respect of certain applications for exemptions from provisions of *NI 51-101*[1].

PART 1. APPLICATION AND TERMINOLOGY

1.1 Supplements other Requirements - *NI 51-101* supplements other continuous disclosure requirements that apply to *reporting issuers* in all business sectors.

1.2 Materiality Standard - Section 1.2 of *NI 51-101* states that *NI 51-101* applies only in respect of information that is *material*.

NI 51-101 does not require any disclosure or filing of information that is not *material*. If information is not required to be disclosed because it is not *material*, it is unnecessary to disclose that fact.

Materiality for the purposes of *NI 51-101* is a matter of judgement to be made in light of the circumstances, taking into account both qualitative and quantitative factors, and assessed in respect of the *reporting issuer* as a whole.

The reference in subsection 1.2(2) of *NI 51-101* to a "reasonable investor" denotes an objective test: would a notional investor, broadly representative of investors generally and guided by reason, be likely to be influenced, in making an investment decision to buy, sell or hold a security of a *reporting issuer,* by an item of information or an aggregate of items of information. If so, then that item or aggregate of items of information is "*material*" in respect of that *reporting issuer*.

This concept of materiality is consistent with the concept of materiality applied in connection with financial reporting pursuant to the Handbook of the *CICA*.

1.3 When Does *NI 51-101* First Apply to a *Reporting Issuer*? - Part 9 of *NI 51-101* specifies both the date on which *NI 51-101* comes into force (section 9.1) and the timing of its first application to a *reporting issuer* (section 9.2). The two dates differ.

NI 51-101 comes into force on [January 1, 2003]. That does not, however, itself trigger any immediate filing or other requirements for *reporting issuers*.

Section 9.2 of *NI 51-101* in effect establishes a transition period, after the CSA announce their adoption of *NI 51-101* and for a period after *NI 51-101* itself comes into force, during which *reporting issuers* are expected to prepare for compliance with *NI 51-101*. The date on which they first become subject to the requirements of *NI 51-101* will vary depending on their financial year-ends and, in some cases, on whether or not they choose to enter the *NI 51-101* disclosure system earlier than required.

The first annual filings under Part 5 of *NI 51-101* will be due at the same time as a *reporting issuer* is required to file its audited annual financial statements for its financial year that includes, or ends on, December 31, 2002. Those first annual *oil* and *gas* filings will include *reserves data* and other information that must be prepared as at the last day of that financial year and for that financial year. Some of this information will date back to the beginning of that financial year.

The other provisions of *NI 51-101*, including requirements relating to public disclosure generally and to material change[2] disclosure in particular, will apply to a *reporting issuer* only after it has filed its first annual oil and gas disclosure under Part 5, or the deadline for that filing, whichever is earlier.

The following examples, summarized in the table below, illustrate the effect of Part 9:

- A *reporting issuer* with a financial year that coincides with the calendar year will be required to make its first annual *oil* and *gas* disclosure filing under Part 5 in the first 140 days of 2003, **by May 20, 2003**. The *reserves data* and other information included in that filing must be prepared as at **December 31, 2002** and for the year ended on that date.

  The other provisions of *NI 51-101* will begin to apply to the *reporting issuer* as soon as it makes its first filing under Part 5, or on May 20, 2003, whichever occurs first.

- A *reporting issuer* with a financial year that ends on June 30 will be required to make its first annual oil and gas disclosure filing under Part 5 within 140 days after June 30, 2003, **by November 17, 2003**. The *reserves data* and other information included in that filing must be prepared as at **June 30, 2003** and for the financial year ended on that date.

[1] For the convenience of readers, the Appendix to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics in this Companion Policy (except words in italicized titles of documents, or in the forms of report set out in Part 9 which are printed entirely in italics) or in *NI 51-101*, *Form 51-101F1*, *51-101F2* or *Form 51-101F3*.

[2] "Material change" has the meaning ascribed to the term under current *securities legislation* in the *jurisdiction*.

The other provisions of *NI 51-101* will begin to apply to the *reporting issuer* as soon as it makes its first filing under Part 5, or on November 17, 2003, whichever occurs first.

Financial Year-End	First Annual Filing Deadline
December 31	May 20, 2003 (data for the year ended **December 31, 2002**)
June 30	November 17, 2003 (data for the year ended **June 30, 2003**)

Because the first annual filing must include information from the beginning of the financial year that includes or ends on December 31, 2002, *reporting issuers* should familiarize themselves with *NI 51-101* and begin gathering information well before *NI 51-101* applies to them.

1.4 ***SPEE Standards***

(1) Paragraph 2.2(1)(a) of *NI 51-101* mandates adherence to *SPEE standards* in estimating *reserves data* and related information. Section 4.2 of *NI 51-101* requires that public oil and gas disclosure be consistent with *SPEE standards*.

(2) Important terminology developed by the Canadian Institute of Mining, Metallurgy & Petroleum (CIM), including *reserves* categories and related definitions, is incorporated in the *SPEE Handbook* which, pursuant to subsection 1.3(2) of *NI 51-101*, applies for purposes of *NI 51-101*. The Appendix to this Companion Policy sets out certain of these and other terms used in *NI 51-101*.

(3) With a view to maintaining consistency between the relevant standards of *NI 51-101* and the *SPEE Handbook*, the CSA will monitor any proposal by the *SPEE* to amend the *SPEE Handbook*. The CSA will consider whether such an amendment should also apply for purposes of *NI 51-101*, which would likely be the case unless the CSA consider a proposed change to be inappropriate.

Unless and until the CSA implement a change made by the *SPEE* to the *SPEE Handbook*, such a change will not apply for purposes of *NI 51-101*.

1.5 ***FASB Standard*** **and Other** ***FASB*** **Statements** - *NI 51-101* and the related forms refer to standards established by the *FASB*, notably *FAS 19*, *FAS 69* and the *FASB Standard*.

In accordance with the definitions of *FAS 19* and *FAS 69* in the Appendix to *NI 51-101*, references in *NI 51-101* to any of these standards include changes from time to time made to such standards by the *FASB*. Users of those standards should consult *FASB* publications.

In accordance with the definition of *FASB Standard* in the Appendix to *NI 51-101*, references in *NI 51-101* to the *FASB Standard* also include changes from time to time made by the *FASB*. The text of the *FASB Standard* as at [October 15, 2001] is reproduced in Schedule 1 to the Appendix to this Companion Policy. CSA staff will from time to time publish notice of changes made by the *FASB* to the *FASB Standard.*

1.6 ***Qualified Evaluator*** **Professional Membership** - One of the elements of eligibility to act as a *qualified evaluator* for purposes of *NI 51-101* is membership in a self-regulatory organization of engineers, geologists, other geoscientists or other professionals (clause (ii) of the definition of *qualified evaluator* in the Appendix to *NI 51-101*, or clause (b) of the definition as it appears in the Appendix to this Companion Policy). Upon the coming into force of *NI 51-101*, each of the following organizations in Canada is an acceptable self-regulatory organization for this purpose:

- Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA)
- Association of Professional Engineers and Geoscientists of the Province of British Columbia (APEGBC)
- Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS)
- Association of Professional Engineers and Geoscientists of Manitoba (APEGM)
- Professional Engineers of Ontario (PEO)
- Ordre des ingenieurs du Québec (OIQ)
- Ordre des Géologues du Québec (OGQ)
- Association of Professional Engineers of Prince Edward Island (APEPEI)
- Association of Professional Engineers and Geoscientists of New Brunswick (APEGNB)
- Association of Professional Engineers of Nova Scotia (APENS)
- Association of Professional Engineers and Geoscientists of Newfoundland (APEGN)
- Association of Professional Engineers of Yukon (APEY)
- Association of Professional Engineers, Geologists & Geophysicists of the Northwest Territories (NAPEGG) (representing the Northwest Territories and Nunavut Territory)

Membership in such a body is a precondition to being a *qualified evaluator* but is not alone sufficient for that purpose. *Reporting issuers* should ensure that any person they appoint under section 3.2 of *NI 51-101* as an *independent qualified evaluator* has, in addition to the requisite professional standing and independence, training and experience that are consistent with the *SPEE standards* and relevant to the particular *reserves data* to be reported upon.

Membership in a professional organization outside Canada does not currently satisfy the requirements of *NI 51-101*. A *reporting issuer* can apply under Part 8 of *NI 51-101* for an exemption that would enable the *reporting issuer* to treat an individual who is a member of a foreign professional organization, and who has other satisfactory qualifications and experience, as a *qualified evaluator*. The CSA are also willing to consider whether particular foreign professional organizations should be accepted for purposes of *NI 51-101* generally. In considering any such application or acceptance, the *securities regulatory authorities* or *regulators* are likely to take into account the degree to which a foreign professional organization's authority or recognition, admission criteria, standards, and disciplinary powers and practices are similar to, or differ from, those of organizations listed above.

1.7 **Use of Information by Others** - *NI 51-101* requires that information relating to *oil and gas activities* and the extraction of hydrocarbons from shale, tar sands or coal be filed with *securities regulatory authorities* both as a source of information, and to support other disclosure concerning those activities, to assist the public and analysts in making investment decisions and recommendations.

The CSA encourage registrants[3] and other persons and companies that wish to make use of information concerning these activities of a *reporting issuer*, including *reserves data*, to review the information filed on SEDAR under *NI 51-101* by the *reporting issuer* and, if they are summarizing or referring to this information, to use the applicable terminology prescribed under NI 51-101.

PART 2. MEASUREMENT

2.1 ***Proved Reserves* and *Proved Oil and Gas Reserve Quantities* -** The CSA understand from the *SPEE* that an estimate of quantities of *proved reserves* prepared using *constant prices and costs* and applying *SPEE standards* would, in all material respects, satisfy the requirements of the *FASB Standard* for the estimation of *proved oil and gas reserve quantities*.

The CSA understand, however, that the reverse might not be true in all circumstances.

2.2 ***Forecast Prices and Costs*** - *Forecast prices and costs* are defined in the *SPEE Handbook*. Except to the extent that the *reporting issuer* is legally bound by fixed or presently determinable future prices or costs, *forecast prices and costs* are future prices and costs "generally recognized as being reasonable".

The CSA do not consider that future prices or costs would satisfy this requirement if they fall outside the range of forecasts of comparable prices or costs used, as at the same date, for the same future period, by major *independent qualified evaluators*.

2.3 ***Constant Prices and Costs*** - *Constant prices and costs* are discussed in the *FASB Standard.* In general, they are prices and costs that are assumed not to change, but rather to remain constant, throughout the life of a *property*, except to the extent of any fixed or presently determinable future prices or costs to which the *reporting issuer* is legally bound by contract or otherwise, including those for an extension period of a contract that is likely to be extended.

2.4 ***Probability of Recovery*** - Paragraph 2.2(1)(g) of *NI 51-101* provides that estimates of *proved oil and gas reserve quantities* are to reflect a high degree of certainty of recovery by targeting a 90 percent probability that at least the estimated quantities will be recovered. Unless the estimation is made using the probabilistic method, this probability will be based on the *qualified evaluator's* professional judgement rather than being supported by a mathematical determination.

2.5 ***Consistency of Timing*** - Subsection 2.2(2) of *NI 51-101* requires consistency in the timing of recording the effects of events or transactions for purposes both of annual financial statements and annual *reserves data* disclosure.

The fact that the *effective date* of information (for example, "as at and for the financial year ended on December 31, 20XX") is the same for a *reporting issuer's* annual financial statements and the statement filed under item 1 of section 5.1 of *NI 51-101* does not by itself satisfy the requirement in subsection 2.2(2).

For example, an acquisition or sale of a *property* that is recorded in the *reporting issuer's* financial statements for the financial year ended on December 31, 20XX should also be given effect to in its *reserves* estimates prepared with the same *effective date*. For this purpose, something is "recorded" if it is reflected in the amounts set out in the body of the financial statements, rather than only being disclosed in a footnote to the financial statements.

However, an acquisition or sale not recorded in the financial statements for the financial year ended on December 31, 20XX, even if the acquisition or sale is disclosed in a footnote to the financial statements or has been publicly disclosed in some other fashion, should not be given effect to in the *reserves* estimates prepared as at that *effective date*.

To ensure that the effects of events or transactions are recorded, disclosed or otherwise reflected consistently (in respect of timing) in all such documents, a *reporting issuer* will wish to ensure that both its auditors and its *qualified evaluators*, as well

[3] "Registrant" has the meaning ascribed to the term under current *securities legislation* in the *jurisdiction*.

as its directors, are kept apprised of relevant events and transactions.

2.6 ***Future Income Tax Expenses*** - In estimating *future net revenue* or the *standardized measure*, estimated *future income tax expenses* (computed in accordance with the *FASB Standard*) are deducted.

The CSA consider that, for this purpose, *future income tax expense*s should be estimated year-by-year:

(a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, among *oil and gas producing activities* or the extraction of hydrocarbons from shale, tar sands or coal, and other business activities;

(b) without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income; and

(c) taking into account estimated tax credits and allowances (for example, royalty tax credits).

PART 3. RESPONSIBILITIES OF *REPORTING ISSUERS* AND DIRECTORS

3.1 **Reserves Committee** - Section 3.4 of *NI 51-101* enumerates certain responsibilities of the board of directors of a *reporting issuer* in connection with *oil* and *gas* disclosure.

The CSA believe that certain of these responsibilities can in many cases be better fulfilled by a smaller group of directors who bring particular experience or abilities to the task.

Section 3.5 of *NI 51-101* permits a board of directors to delegate these responsibilities (other than the responsibility to approve the content or filing of certain documents) to a committee of directors, a majority of whose members are independent of management. Although section 3.5 is not mandatory, the CSA encourage *reporting issuers* and their directors to adopt this approach.

3.2 **Responsibility for Disclosure -** *NI 51-101* requires the involvement of an *independent qualified evaluator* in preparing or reporting on certain *oil* and *gas* information disclosed by a *reporting issuer*, and in section 3.2 mandates the appointment of an *independent qualified evaluator* to report on *reserves data*.

The CSA do not intend, and do not believe, that either the requirements in *NI 51-101* for involvement of an independent qualified evaluator, or compliance with those requirements:

(a) relieve the *reporting issuer* of responsibility for information disclosed by it, including information filed by it under Part 5 of *NI 51-101*; or

(b) by themselves constitute or demonstrate reasonable investigation, on the part of the *reporting issuer* or its directors or officers, as to the accuracy and completeness of disclosure by the *reporting issuer*.

PART 4. REQUIREMENTS APPLICABLE TO ALL DISCLOSURE

4.1 **Scope of Part 4 of *NI 51-101* -** Part 4 of *NI 51-101* imposes requirements and restrictions that apply to all disclosure (or, in some cases, all written disclosure) described in section 4.1. Part 4 applies to disclosure that is either:

- filed by a *reporting issuer* with the *securities regulatory authority*; or
- if not filed, otherwise made to the public or made in circumstances in which, at the time of making the disclosure, the *reporting issuer* expects, or ought reasonably to expect, the disclosure to become available to the public.

As such, Part 4 applies to a broad range of disclosure including:

- the annual filings required under Part 5 of *NI 51-101*;
- other continuous disclosure filings, including material change reports (which themselves may also be subject to Part 6 of *NI 51-101*);
- public disclosure documents, whether or not filed, including news releases;
- public disclosure made in connection with a distribution of securities, including a prospectus; and
- except in respect of provisions of Part 4 that apply only to written disclosure, public speeches and presentations made by representatives of the *reporting issuer* on behalf of the *reporting issuer*.

For these purposes, the CSA consider written disclosure to include any writing, map or other printed representation whether produced, stored or disseminated on paper or electronically.

To ensure compliance with the requirements of Part 4, the CSA encourage *reporting issuers* to involve a *qualified evaluator*, or other professional who is familiar with *SPEE standards*, in the preparation, review or approval of all such *oil* and *gas* disclosure.

4.2 **Estimates of Fair Value** - Section 4.9 of *NI 51-101* sets out requirements applicable to disclosure of certain estimates of fair value -- for example, an estimate of fair value of an oil and gas prospect.

Such an estimate must, unless paragraph 4.9(2)(a) applies, satisfy the requirements of paragraph 4.9(2)(b), which among other things requires that the estimate have been prepared or agreed to by a professional valuator. The CSA do not consider that such an estimate would be an appropriate basis for disclosure if it is prepared or agreed to as at a date more than 6 months before the date of the disclosure.

The three-part range of values required under subparagraph 4.9(2)(b)(ii) should consist of a reasonable low value reflecting a pessimistic estimate, a reasonable middle value reflecting the most likely estimate, and a reasonable high value reflecting an optimistic estimate, with each such value being estimated by a professional valuator in accordance with applicable professional standards based on the course of action that the valuator reasonably expects the *reporting issuer* to follow.

In circumstances in which paragraph 4.9(2)(b) applies, in order to ensure that the *reporting issuer* is not making public disclosure of misleading information, the CSA expect the *reporting issuer* to provide all relevant information to the valuator to enable the valuator to prepare the estimate and provide the report referred to in that paragraph.

4.3 **Negative Assurance** - The CSA are of the view that a report of a *qualified evaluator* that is based on or conveys only negative assurance -- for example, a statement to the effect that "Nothing has come to my attention which would indicate the *reserves data* have not been prepared in accordance with principles and definitions established by the *SPEE*" -- can be misinterpreted as providing a higher degree of assurance than intended or warranted.

The CSA believe that *reporting issuers* should avoid making any public disclosure of, or based on, such a report. In the rare case, if any, in which there are compelling reasons for making such disclosure, the CSA believe that, to avoid providing information that could be misleading, the *reporting issuer* should include in such disclosure useful explanatory and cautionary statements. Such statements should explain the limited nature of the work undertaken by the *qualified evaluator* and the limited scope of the assurance expressed, noting that it does not amount to a positive opinion.

4.4 ***Supporting Filings*** - Part 4 of *NI 51-101* requires that certain information, if disclosed publicly, must be supported by consistent information in a *supporting filing*.

The definition of "*supporting filing*" in the Appendix to *NI 51-101* does not specify any particular type of document, nor a maximum age or an expiry date for any such document. If the information in a filed document has not been rendered inaccurate or misleading by events subsequent to its filing, the document can continue to serve as a *supporting filing*.

Part 6 of *NI 51-101* requires that reports of material changes include, in certain circumstances, information concerning the effect that the material change would, but for the timing of its occurrence, have had on information in an annual filing under Part 5.

The CSA do not consider that a document filed under Part 5 of *NI 51-101* would cease to qualify as a *supporting document* merely by reason of the occurrence of a material change referred to in Part 6 of *NI 51-101*, provided that the material change disclosure required by Part 6 is filed.

PART 5. ANNUAL FILING REQUIREMENTS

5.1 **Annual Filings on SEDAR** - The information required under section 5.1 of *NI 51-101* must be filed electronically on SEDAR. Consult National Instrument 13-101 *SEDAR* and the current CSA *SEDAR Filer Manual* for information about filing documents electronically.

5.2 **Inapplicable or Immaterial Information** - Section 5.1 of *NI 51-101* does not require the filing of any information, nor a reference to information or to a disclosure requirement, even if specified in *NI 51-101* or in a form referred to in *NI 51-101*, if that information is inapplicable or not *material* in respect of the *reporting issuer*. See section 1.2 of this Companion Policy for a discussion of materiality.

If an item of prescribed information is not disclosed because it is inapplicable or immaterial, it is also unnecessary to state that fact or to make reference to the disclosure requirement.

5.3 **Use of Forms** - Section 5.1 of *NI 51-101* requires the annual filing of information set out in *Form 51-101F1* and reports in accordance with *Form 51-101F2* and *Form 51-101F3*.

NI 51-101, and the instructions within each form, give the *reporting issuer* considerable flexibility in presenting this information for filing, provided that all required information is filed. It is not necessary to identify any of the information by form name or number or title, to include the headings or numbering, or to follow the ordering of items, in the forms.

Information presented once in documents filed under Part 5 need not be repeated in other documents filed under Part 5 at the same time, with one exception: *reserves data* are to be disclosed together (Item 2.1 of *Form 51-101F1*) in a complete, concise

presentation, even if parts of that information are also presented elsewhere.

The information specified in all three forms, or any two of the forms, can be combined in a single document. A *reporting issuer* may wish to include statements indicating the relationship between documents or parts of one document. For example, the *reporting issuer* may wish to accompany the report of the *independent qualified evaluator* (*Form 51-101F2*) with a reference to the *reporting issuer's* disclosure of *reserves data* (Item 2.1 of *Form 51-101F1*), and vice versa.

The report of management in *Form 51-101F3* may be combined with management's report on financial statements, if any, in respect of the same financial year.

5.4 ***Annual Information Form*** - Section 5.3 of *NI 51-101* permits *reporting issuers* to satisfy the requirements of section 5.1 of *NI 51-101* by presenting the information required under section 5.1 in an *annual information form*.

The *annual information form* can be in Form 44-101F1 *AIF* if it is a "current AIF" under National Instrument 44-101 *Short Form Prospectus Distributions*, or if it is filed for other purposes such as Ontario Securities Commission Rule 51-501 *AIF and MD&A*, section 159 of the Regulation under the Securities Act (Québec) or Multilateral Instrument 45-102 *Resale of Securities.*

The *annual information form* can also be a current annual report on Form 10-K or Form 20-F under the United States Securities and Exchange Act of 1934, if the *reporting issuer* is eligible to file such a report.

An *annual information form* containing the information required under section 5.1 need not be filed twice (that is, once as an AIF and again under section 5.1). However, as a convenience to the public, the CSA urge *reporting issuers* who rely on section 5.3 to file on SEDAR, under the category for the section 5.1 filings, a statement directing readers to the *annual information form*. This statement could be a copy of the news release mandated by section 5.2 of *NI 51-101*.

5.5 ***Reservations* in *Independent Qualified Evaluators'* Reports** - A report of an *independent qualified evaluator* on *reserves data* will not satisfy the requirements of item 2 of section 5.1 of *NI 51-101* if the report contains a *reservation*, the cause of which can be removed by the *reporting issuer* (subsection 5.4(2)).

The CSA do not generally consider time and cost considerations to be causes of a *reservation* that cannot be removed by the *reporting issuer*.

A report containing a *reservation* may, however, be acceptable if the *reservation* is caused by a limitation in the scope of the *evaluator's evaluation* or *audit* resulting from an event that clearly limits the availability of necessary records and which is beyond the control of the *reporting issuer*. This could be the case if, for example, necessary records have been inadvertently destroyed and cannot be recreated or if necessary records are in a country at war and access is not practicable.

5.6 **Negative Assurance by *Qualified Evaluator*** - A *qualified evaluator* conducting a *review* may wish to express only negative assurance -- for example, in a statement such as "Nothing has come to my attention which would indicate that the *reserves data* have not been prepared in accordance with principles and definitions established by the *SPEE*".

As discussed above in section 4.3 of this Companion Policy, in respect of public disclosure generally, the CSA are of the view that such statements can be misinterpreted as providing a higher degree of assurance than intended or warranted.

The CSA believe that a statement of negative assurance would constitute so material a departure from the report prescribed in *Form 51-101F2* as to fail to satisfy the requirements of item 2 of section 5.1 of *NI 51-101*.

PART 6. MATERIAL CHANGE DISCLOSURE

6.1 **Changes from Filed Information -** Part 6 of *NI 51-101* requires the inclusion of specified information in disclosure of certain material changes.

The information to be filed each year under Part 5 of *NI 51-101* is prepared as at, or for a period ended on, the *reporting issuer's* most recent financial year-end. That date is the *effective date* referred to in subsection 6.1(1) of *NI 51-101*. When a material change occurs after that date, the filed information may no longer, as a result of the material change, convey meaningful information, or the original information may have become misleading in the absence of updated information.

.

Part 6 of *NI 51-101* requires that the disclosure of the material change include a discussion of the *reporting issuer's* reasonable expectation of how information that had been filed under Part 5 would differ, had the material change occurred before rather than after that original information was prepared.

This material change disclosure can reduce the likelihood of investors being misled, and maintain the usefulness of the original filed *oil* and *gas* information when the two are read together.

PART 7. INDEPENDENCE OF PROFESSIONALS

7.1 ***Independence*** **of** ***Qualified Evaluator*** - "*Independence*", in respect of the relationship between a *reporting issuer* and a *qualified evaluator* engaged to *evaluate*, *review* or *audit reserves data* or other *reserves* information, is defined in the Appendix to *NI 51-101* as having the meaning ascribed to the term in the *SPEE standards*.

Under the *SPEE standards*, a *qualified evaluator* would generally be considered to be *independent* of a client *reporting issuer* when the *qualified evaluator* neither has, nor expects to receive, a direct or indirect interest in either a *property* to be *evaluated* or reported on, or in securities of the client or of an affiliate of the client.

A *qualified evaluator* would not normally be considered to be *independent* of a client *reporting issuer* if, during the term of his or her engagement, the *qualified evaluator* among other things:

- owned or acquired a material financial interest in (i) the client or an affiliate of the client, or (ii) a *property* to be *evaluated* or reported on;
- other than in respect of advance or retainer payments or work-in-process in respect of the engagement, or trade receivables arising in the ordinary course of business, was indebted to, or had advanced credit to, the client or to an officer, director or significant shareholder of the client;
- had a financial interest in a business (other than the engagement to evaluate or report on reserves) in which the client also had a financial interest, or was party to an agreement with the client for the purchase or sale of a material asset;
- was engaged on terms such that his or her remuneration was contingent on, or would vary with, the conclusions of the *evaluation* or report; or
- would derive from the engagement an amount exceeding 50 percent of his or her total revenue in the preceding 12 months.

Independence would not ordinarily be considered to be lost only by reason of the fact that the *qualified evaluator*, or a petroleum engineering firm of which he or she is a partner, shareholder or employee, also provides to the client *reporting issuer*, or provides to another client in respect of a *property* to be *evaluated* or reported on, other services (including *evaluations*, *reviews* or *audits*) of a type normally rendered by the petroleum engineering profession.

7.2 **Unacceptable** ***Qualified Evaluators*** **or Valuators** - Sections 3.2 and 5.1 of *NI 51-101* require the involvement, in connection with annual *reserves data* disclosure, of a *qualified evaluator* who is *independent* (in accordance with *SPEE standards*) of the *reporting issuer*. Similarly, section 4.9 requires the involvement, in connection with certain disclosure of estimates of fair value, of a professional valuator who is not a "related party" (within the meaning of the term in the Handbook of the *CICA*) of the *reporting issuer*.

Notwithstanding that a *qualified evaluator* or a valuator may technically satisfy these requirements concerning his or her relationship with the *reporting issuer*, circumstances may, or may reasonably be seen to, deprive that individual of the freedom to exercise independent judgement that the CSA consider essential to the purposes of *NI 51-101.* In such circumstances, the *regulator* may request the *reporting issuer* to engage another *qualified evaluator* or another valuator. If a prospectus filing is involved, the *regulator* may consider that a failure to comply with such a request *materially* impairs the quality of disclosure to the extent that would lead to a refusal to issue a prospectus receipt.

PART 8. EXEMPTIONS

8.1 **Scope of Possible Exemptions -** This Part discusses certain exemptive relief that the *securities regulatory authority* or the *regulator* may be willing to grant in appropriate circumstances, on application by a *reporting issuer* under Part 8 of *NI 51-101*. The relief discussed in this Part is limited to relief from the requirements of *NI 51-101*, and would not affect other requirements of *securities legislation*.

8.2 **Exemption from Requirement for** ***Independent Qualified Evaluator***

The CSA consider that the involvement of a *qualified evaluator* who is *independent* of a *reporting issuer* will in most cases serve as an important measure of quality control for *reserves data* disclosure, which should in turn help foster and maintain confidence in *oil* and *gas* disclosure, to the benefit of all participants in Canadian capital markets.

However, the CSA recognize that there may be limited circumstances in which the quality and reliability of *reserves data* disclosure desired by the CSA may be achieved even without independent professional involvement.

Securities regulatory authorities or *regulators* would, in certain circumstances, likely be prepared, on application by a senior producing issuer, to grant an exemption from the requirements of *NI 51-101* for involvement of a *qualified evaluator* who is *independent* of the *reporting issuer*. Such an exemption might be without time limit but would likely be subject to conditions.

For these purposes, "senior producing issuer" means a *reporting issuer* that:

(a) demonstrates capability to estimate its *reserves* and *future net revenue* in accordance with *SPEE standards* (other than with respect to *independence*); and

(b) produced an average of more than 100,000 *BOEs* of *oil* and *gas* (converted in the ratio 6 *mcf* :1 *bbl*) per day throughout its most recent financial year.

Such an exemption from the requirement for *independence* of a *qualified evaluator* would likely extend to apply both in respect of requirements arising directly under *NI 51-101* (notably section 3.2 and paragraph (c) of item 2 of section 5.1) or indirectly under other *securities legislation* (such as prospectus disclosure requirements) that applies requirements of *NI 51-101*.

Such an exemption would be unlikely to vary the requirements of *NI 51-101* in respect of the involvement of a *qualified evaluator*, only his or her *independence*. Relief would likely cease to be available to a *reporting issuer* if it ceased to be a senior producing issuer or in the event of a failure to adhere to any undertaking provided as a condition of the exemption.

No such exemption would likely be provided in connection with an initial public offering of securities or a reverse take-over or similar transaction.

.

An application for such an exemption should demonstrate that the applicant is a senior producing issuer. In considering that aspect of an application, factors taken into account by *securities regulatory authorities* or *regulators* would likely include the background and experience of the *reporting issuer's* non-independent *qualified evaluators*, the quality of its past *oil* and *gas* disclosure, and its internal disclosure, compliance, quality control and approval procedures. Adherence to "best practice" standards developed by the *SPEE* or relevant professional organizations would be expected. An independent *review* of internally-generated *reserves data*, with satisfactory results, could be required before an exemption is granted.

Any such exemption would likely be conditional on the *reporting issuer* undertaking:

(a) to disclose, at least annually, its reasons for considering the reliability of internally-generated *reserves data* to be not materially less than would be afforded by strict adherence to the requirements of *NI 51-101*, including a discussion of:

(i) factors supporting the involvement of independent *qualified evaluators* and why such factors are not considered compelling in the case of that *reporting issuer*; and

(ii) the manner in which the *reporting issuer*'s internally-generated *reserves data* are determined, reviewed and approved, including control procedures and the related role, responsibilities and composition of responsible management, the board of directors and (if applicable) the *reserves* committee of the board of directors;

(b) to disclose, in each document that discloses any information derived from internally-generated *reserves data* and proximate to that disclosure, the fact that no *independent qualified evaluator* was involved in the preparation of the *reserves data*;

(c) if, notwithstanding the exemption, the *reporting issuer* obtains a report on *reserves data* from an *independent qualified evaluator*, to disclose (at least by way of a narrative summary) the existence of that report, the identity of the *independent qualified evaluator* (after obtaining his or her consent), the scope and conclusions of that report, and a discussion of the extent to which such conclusions accord with (or differ from) corresponding internally-generated *reserves data* that the *reporting issuer* chooses to disclose in reliance on the exemption;

(d) to file with the *regulator*, within 140 days after the end of each financial year after the date of the exemption, a certificate of a senior officer of the *reporting issuer* confirming the *reporting issuer's* compliance with the conditions of the exemption throughout that financial year; and

(e) in respect of Part 5 of *NI 51-101*, to comply with section 5.1 except as varied by:

(i) deleting the words "each of whom is independent of the *reporting issuer*" from paragraph (c) of item 2 of section 5.1;

(ii) substituting, for the report in the form of *Form 51-101F2* referred to in item 2 of section 5.1, a report that, but for changes necessary to reflect the particular terms of an exemption on which the *reporting issuer* relies, and the deletion of inapplicable items, is in all *material* respects consistent with the following:

Report on Reserves Data

To the Board of Directors of [Issuer] (the "Company")

1. *Our staff and I evaluated the Company's Reserves Data as at [last day of the issuer's most recently completed financial year]. The Reserves Data are:*

   (a) (i) *proved and probable oil and gas reserves estimated as at [last day of the issuer's most recently completed financial year] using forecast prices and costs; and*

   (ii) *the related estimated future net revenue; and*

   (b) (i) *proved oil and gas reserve quantities, estimated as at [last day of the issuer's most recently completed financial year] using constant prices and costs; and*

   (ii) *the related standardized measure of discounted future net cash flows from oil and gas reserve quantities.*

2. *The Reserves Data are the responsibility of the Company's management. Our responsibility is to express an opinion on the Reserves Data based on our evaluation.*

3. *We carried out our evaluation in accordance with standards established by the Canadian committee of The Society of Petroleum Evaluation Engineers except that as staff [and as shareholders, optionholders or members of the Company's reserves incentive program,] we are not independent.*

4. *Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the Reserves Data are free of material misstatement. An evaluation also includes assessing whether these Reserves Data are in accordance with principles and definitions established by the Canadian committee of The Society of Petroleum Evaluation Engineers.*

5. *The following sets forth the estimated proved plus probable future net revenue, estimated using forecast prices and costs, discounted at 10%, included in the Reserves Data evaluated for the year ended xxx xx, 20xx:*

Country where Reserves located	*Evaluated*
xxx	*$ xxx*
xxx	*xxx*
xxx	*xxx*
	$ xxx

6. *In our opinion, the Reserves Data evaluated have, in all material respects, been determined and are presented in accordance with the standards established by the Canadian committee of The Society of Petroleum Evaluation Engineers.*

7. *We have no present responsibility to update this report for events and circumstances occurring after the date of this report.*

8. *Because these Reserves Data are based on judgements regarding future events, actual results will vary and the variations may be material.*

[Internal Evaluator Name, Position, Province, Date]

_____ *[signed]* "

(iii) substituting, for the report in the form of *Form 51-101F3* referred to in item 3 of section 5.1, a report that, but for changes necessary to reflect the particular terms of an exemption on which the *reporting issuer* relies, and the deletion of inapplicable items, is in all *material* respects consistent with the following:

*"**Report on Reserves Data and Other Oil and Gas Information***

Management and staff are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. Such information includes Reserves Data, which are:

(a) (i) proved and probable oil and gas reserves estimated as at [last day of the issuer's most recently completed financial year] using forecast prices and costs; and

(ii) the related estimated future net revenue; and

(b) (i) proved oil and gas reserve quantities, estimated as at [last day of the issuer's most recently completed financial year] using constant prices and costs; and

(ii) the related standardized measure of discounted future net cash flows from oil and gas reserve quantities.

Our Internal Evaluator and staff who are employees of the Company have evaluated the Company's Reserves Data. The [Reserves Committee of the] Board of Directors has (a) reviewed the Company's procedures for providing information to the Internal Evaluator (b) met with the Internal Evaluator to determine whether any restrictions placed by management affect the ability of the Internal Evaluator to report without reservation and (c) reviewed the Reserves Data with management and the Internal Evaluator.

The [Reserves Committee of the] Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has [, on the recommendation of the Reserves Committee,] approved the content and filing of the Reserves Data and other oil and gas information, the filing of the report of the Internal Evaluator on the Reserves Data and the content and filing of this report.

In our view, the reliability of these internally generated estimates of Reserves Data is not materially less than would be afforded by our involving independent evaluators to evaluate and review or audit and review these Reserves Data and we have therefore applied for and obtained an exemption from the requirement under securities legislation to involve independent evaluators.

The primary factors supporting the involvement of independent evaluators apply when (i) an independent evaluator's knowledge of, and experience with, an issuer's Reserves Data is superior to that of the internal evaluators and (ii) when the independent evaluators are less likely to be adversely influenced by self interest or management of the issuer. In our view, neither of these factors applies in our circumstances.

Our view is based in large part on the following. Our estimates of Reserves Data were developed in accordance with standards established by the Canadian committee of The Society of Petroleum Evaluation Engineers and (a) our internal evaluation staff (number of persons) have an average of X years of experience in evaluating reserves, (b) our internal evaluation management staff (number of persons) have an average of Y years of experience in evaluating and managing the evaluation of reserves, (c) all our evaluation staff are independent (other than their being employees, having Company shares and options and being members of the Company's reserves incentive program), and (d) our procedures and records and controls have been established, refined, documented and internally audited for Z years with such internal auditors reporting directly to the [Reserves Committee of the] Board of Directors.

Because these Reserves Data are based on judgements regarding future events, actual results will vary and the variations may be material.

_____
[signature, name and titles of chief executive officer]

_____
[signature, name and titles of officer responsible for reserves disclosure]

_____
[signature, name and titles of Internal Evaluator]

_____
[signature, name and titles of director/member of the reserves committee]

_____
[signature, name and titles of director/member of the reserves committee]

[Date] "

8.3 Exemption from Requirement for Certain *Reserves Data*

The *reserves data* to be prepared and reported on each year under Part 5 of *NI 51-101* has four principal components (see the definition in the Appendix to *NI 51-101*). Two of those components, *proved oil and gas reserve quantities* and the related *standardized measure*, are derived from United States requirements.

A key objective of the CSA in developing NI 51-101 was to enhance the comparability of *oil* and *gas* disclosure provided by *reporting issuers*. The CSA recognize that, in the case of some *reporting issuers* that are active in US capital markets, the most relevant comparisons may be to *oil* and *gas* disclosure provided by US issuers.

Accordingly, *securities regulatory authorities* or *regulators* would, in certain circumstances, likely be prepared, on application by a *reporting issuer* that has securities registered in the US under the 1934 Act, to grant a limited exemption from the requirements of Part 5 of *NI 51-101* and the forms referred to in that Part.

Such an exemption could, in effect, narrow the scope of the disclosure specified in *Form 51-101F1* and referred to in *Form 51-101F2* and *Form 51-101F3,* to exclude information neither mandated by the *SEC* nor prescribed by the *FASB*. For example, the *reserves data* to be disclosed and reported on could in effect be narrowed by excluding *reserves* and related *future net revenue* estimated using *forecast prices and costs*, retaining only *proved oil and gas reserve quantities* and the related *standardized measure* estimated using *constant prices and costs*.

No such exemption would likely be provided in connection with an initial public offering of securities or a reverse take-over or similar transaction.

Such an exemption might be without time limit but would likely be subject to conditions.

Any such exemption would likely be conditional on the *reporting issuer* undertaking:

(a) to disclose in the information filed under Part 5 of *NI 51-101* the existence of the exemption and a description of the nature of the information omitted from the filed documents pursuant to the exemption;

(b) to provide, for the purposes of item 1 of section 5.1 of *NI 51-101*:

  (i) the disclosure required by the *FASB Standard, FAS 69* and *SEC* Industry Guide 2 "Disclosure of Oil and Gas Operations";

  (ii) other disclosure, concerning matters addressed in *Form 51-101F1,* required under *FASB* statements; and

  (iii) if the *reporting issuer* is engaged in extracting, by mining, bitumen or *oil* from shale, tar sands or coal, to include the information specified in Schedule 2 to the Appendix to this Companion Policy, "Tar Sands Mining Disclosure";

(c) to make no public disclosure of, or derived from, information excluded from the documents filed under Part 5 of *NI 51-101* in reliance on the exemption, however such information may be characterized or described by the *reporting issuer*;

(d) to make no public disclosure of *probable* or *possible reserves,* or related *future net revenue*, estimated using *constant prices and costs*; and

(e) to file with the *regulator*, within 140 days after the end of each financial year after the date of the exemption, a certificate of a senior officer of the *reporting issuer* confirming the *reporting issuer's* compliance with the conditions of the exemption throughout that financial year and to the date of the certificate.

Any such exemption would likely cease to apply, in whole or (in some cases) in part, in respect of information that, although not required to be included in information filed under Part 5 of *NI 51-101* by reason of the exemption, is nonetheless publicly disclosed:

- Voluntary Disclosure - If, despite such an exemption, the *reporting issuer* voluntarily discloses any information referred to in paragraph (c) above, then the exemption would cease to apply in respect of the matter voluntarily disclosed, and the *reporting issuer* would thereafter be required to comply fully with *NI 51-101* in respect of that matter (including the requirement to file, under Part 5, all information relating to that matter). If in these circumstances a *reporting issuer* ceases to be able to rely on such an exemption in any year, it would likely no longer be able to rely on the exemption subsequently.

  For example, a *reporting issuer* might be exempted from the requirement to disclose estimates of *reserves* derived using *forecast prices and costs* and related *future net revenue*, in the information filed under Part 5. If the *reporting issuer* then wishes to issue a news release in which it voluntarily discloses to the public an estimate of *reserves* or *future net revenue* derived using *forecast prices and costs*, in respect of a particular project or *property*, the exemption would no longer be available to it in respect of *reserves* and *future net revenue* and related information.

In this case, section 4.7 of *NI 51-101* would require that such information be disclosed not only for that project or *property*, but also for the *reporting issuer* in total.

Section 4.2 of NI 51-101 would also be relevant. That provision requires that all public disclosure be consistent with information filed under Part 5 or in a report of a material change. In this case, section 4.2 would require the *reporting issuer* to file the information contemplated in item 1 of section 5.1 together with the reports on that filing contemplated in items 2 and 3 of section 5.1, setting out or reporting on the relevant *reserves data* and related information relevant to, and consistent with, the voluntary disclosure. These filing requirements under section 5.1 would continue in subsequent years.

- Material Change Disclosure - Material change disclosure requirements under *securities legislation* could compel a *reporting issuer* to disclose information that it is otherwise neither required nor permitted to disclose under the terms of an exemption contemplated in this section 8.2. This could arise, for example, when, as a result of a discovery or development activity, the *reporting issuer's probable reserves* change *materially*.

  If, to satisfy its material change disclosure obligations, a *reporting issuer* discloses estimates or other information that it had undertaken not to disclose as a condition of an exemption, the *reporting issuer* would likely be required to include, in the information it files under section 5.1 of *NI 51-101* for that financial year, all information and reports relating to such estimates or other information contemplated under Part 5 (but for the exemption), at least in respect of the particular project or *property* to which the material change disclosure relates. In this case, the application of sections 4.2 and 4.7 of *NI 51-101* would likely be varied so that the additional required disclosure could be limited to the particular project or *property* rather than for all projects and *properties* of the *reporting issuer*.

  The additional information and reports would likely have to be filed not later than the next filing deadline under section 5.1 of *NI 51-101* (that is, the deadline for information prepared as at the last day of the financial year during which the material change disclosure is made), and could be included in the other documents filed under Part 5 at that time. Apart from these additional one-time filing requirements, the exemption would not otherwise be affected or invalidated.

8.4 **Stacking of Exemptions** - *Securities regulatory authorities* or *regulators* would, in certain circumstances, likely be prepared to consider granting, on application by *reporting issuers* that fall within the classes contemplated in both sections 8.2 and 8.3, exemptions that combine the elements contemplated in those sections 8.2 and 8.3.

APPENDIX
to
COMPANION POLICY 51-101CP

STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

TERMINOLOGY AND STANDARDS

Many of the terms used in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("*NI 51-101*") are defined in section 1.3 of *NI 51-101* as having the meanings ascribed to them in the *SPEE Handbook* or in the *FASB Standard*. Other terms used in *NI 51-101* are defined in National Instrument 14-101 *Definitions* ("*NI 14-101*").

This Appendix consolidates many of the terms used in *NI 51-101* and sets out, or explains the substance of, their meanings, as at the effective date of *NI 51-101*.

This Appendix is provided as a convenience to users of *NI 51-101*, to assist them in better understanding its purpose and application. This Appendix is not definitive, and it will not reflect changes from time to time made to the source documents. In applying *NI 51-101*, those source documents should be consulted.

Organization of the Appendix

Part 1 of this Appendix sets out, in alphabetical order, certain terms used in *NI 51-101* and their meanings. Source documents, where not apparent from the meaning given, are identified in square brackets within each definition.

Part 2 explains certain of the terminology relating to *reserves* and categories of *reserves*.

This Appendix refers to a number of other source documents, certain of which are reproduced in the Schedules to this Appendix or can be obtained as follows:

- *CICA Accounting Guideline 5* is included in the Handbook of the *CICA*.
- The *FASB Standard,* as at [October 15, 2001], is set out in Schedule 1 to this Appendix. The texts of the compilation from which the FASB Standard is extracted, and the statements from which that compilation is derived, can be obtained from the *FASB*.
- Schedule 2 to this Appendix, *Tar Sands Mining Disclosure*, sets out certain standards for disclosure concerning tar sands (oil sands) mining, derived from *SEC* Industry Guide 7 "Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations", as at [October 15, 2001].
- The *SPEE Handbook* can be obtained from the *SPEE*.
- *NI 14-101* can be viewed on the websites of a number of securities regulatory authorities.

PART 1. DEFINITIONS

The terms (and plural, singular or other grammatical variants thereof) set out in the left column below have the meanings respectively set out in the right column.

Defined Term	Meaning
Annual information form	Any of the following: • a "current AIF", as defined in *NI 44-101* • in the case of a *reporting issuer* that is eligible to file, for the purposes of Part 3 of *NI 44-101,* a current annual report on Form 10-K or Form 20-F under the United States Securities and Exchange Act of 1934, such a current annual report so filed • a document prepared in the form of Form 44-101F1 *AIF* and filed with the *securities regulatory authority* in the *jurisdiction* in accordance with *securities legislation* of the *jurisdiction* other than *NI 44-101*. [*NI 51-101*]

Audit	In relation to *reserves data*, the process whereby an *independent qualified evaluator* carries out procedures designed to allow the *independent qualified evaluator* to provide reasonable assurance, in the form of an opinion, that the *reporting issuer's reserves data* (or specific parts thereof) have, in all material respects, been determined and presented in accordance with *SPEE standards* and are, therefore, free of material misstatement. Because of (i) the nature of the subject matter (estimates of future results with many uncertainties); (ii) the fact that the *independent qualified evaluator* assesses the qualifications and experience of the *reporting issuer's* staff, assesses the *reporting issuer's* systems, procedures and controls and relies on the competence of the *reporting issuer's* staff and the appropriateness of the *reporting issuer's* systems, procedures and controls; and (iii) the fact that tests and samples (involving examination of underlying documentation supporting the determination of the *reserves* and *future net revenue*) as opposed to complete *evaluations,* are involved; the level of assurance is designed to be high, though not absolute. The level of assurance cannot be described with numeric precision. It will usually be less than, but reasonably close to, that of an *independent evaluation* and considerably higher than that of a *review*. [The *SPEE Handbook*]
Bitumen	*Oil* with a density of less than 10 degrees API (as that term is defined by the American Petroleum Institute).
BOEs	Barrels of *oil* equivalent. [*NI 51-101* and the *SPEE Handbook*]
Canadian GAAP	Generally accepted accounting principles determined with reference to the Handbook of the *CICA*. [*NI 14-101*]
Constant prices and costs	The prices and costs referred to in the definition of "proved oil and gas reserves" in the Glossary in the *FASB Standard* (currently in subparagraph .405a.).
CICA	The Canadian Institute of Chartered Accountants. [*NI 51-101*]
CICA Accounting Guideline 5	Accounting Guideline AcG-5 "Full cost accounting in the oil and gas industry" included in the Handbook of the *CICA*, as from time to time amended. [*NI 51-101*]
Crude oil	A mixture that consists mainly of pentanes and heavier hydrocarbons, that may contain sulphur compounds and that is recoverable at a well from an underground *reservoir* and that is liquid at the conditions under which its volume is measured or estimated, and includes all other liquid hydrocarbons so recoverable except natural gas liquids. [The *SPEE Handbook*]
Developed reserves	See Part 2 of this Appendix. [The *SPEE Handbook*]
Developed non-producing reserves	See Part 2 of this Appendix. [The *SPEE Handbook*]

Developed producing reserves	See Part 2 of this Appendix. [The *SPEE Handbook*]
Development costs	The "development costs" referred to in the *FASB Standard* (currently in paragraph .112).
Development well	"Development well" as defined in the Glossary in the *FASB Standard* (currently in paragraph .401).
Effective date	In respect of information, the date as at which, or for the period ending on which, the information is prepared or provided.
Exploration costs	The "exploration costs" referred to in the *FASB Standard* (currently in paragraphs .107 and .108).
Exploratory well	"Exploratory well" as defined the Glossary in the *FASB Standard* (currently in paragraph .402).
Evaluation	In relation to *reserves data* or related information, the process whereby an economic analysis is made of a *property* to arrive at an estimate of a value based on the estimated *future net revenue* resulting from the production of the *reserves* associated with the *property.* [The *SPEE Handbook*]
Evaluator	In relation to *reserves data* or related information, the individual who performs an *evaluation, audit or review*. [The *SPEE Handbook*]
FAS 19	*FASB* Statement of Financial Accounting Standards No. 19 "Financial Accounting and Reporting by Oil and Gas Producing Companies", as amended from time to time. [*NI 51-101*]
FAS 69	*FASB* Statement of Financial Accounting Standards No. 69 "Disclosures about Oil and Gas Producing Activities -- an amendment of FASB Statements 19, 25, 33, and 39", as amended from time to time. [*NI 51-101*] *FAS 69* is reflected in the *FASB Standard*.
FASB	The United States Financial Accounting Standards Board. [*NI 51-101*]
FASB Standard	Certain *FASB* standards and terminology relevant to disclosure concerning *oil and gas producing activities.* The standards and terminology are set out in paragraphs .103, .106, .107, .108, .112, .160 through .167, .174 through .184 and .401 through .408 of the "Financial Accounting Standards Board Current Text Section Oi5, Oil and Gas Producing Activities", as from time to time amended by the *FASB*. [*NI 51-101*] The *FASB Standard*, as at [October 15, 2001], is reproduced in Schedule 1 to this Appendix.
Field	"Field" as defined in the Glossary in the *FASB Standard* (currently in paragraph .403).

Forecast prices and costs Future prices and costs that are:

(i) generally accepted as being reasonable, or

(ii) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the *reporting issuer* is legally bound by contract or otherwise, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in clause (i).

[The *SPEE Handbook*]

Form 51-101F1 Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information*.

Form 51-101F2 Form 51-101F2 *Report on Reserves Data by Independent Qualified Evaluator*.

Form 51-101F3 Form 51-101F3 *Report of Management on Oil and Gas Disclosure*.

Future income tax expenses "Future income tax expenses" computed in accordance with clause c. of paragraph .180 of the *FASB Standard* on a year-by-year basis.

[The *SPEE Handbook* and the *FASB Standard*]

Future net revenue The estimated net amount to be received with respect to the development and production of *reserves* and estimated quantities of *synthetic oil* using forecast prices and costs.

This net amount is computed by deducting, from estimated future revenues, estimated amounts of future royalties, costs related to the development and production of *reserves*, abandonment and reclamation costs and *future income tax expenses*. Corporate general and administrative expenses and financing costs are not deducted.

This definition of *future net revenue* differs from "Future Net Revenue" as defined in *CICA Accounting Guideline 5*, which is based on *proved reserves* estimated using *constant prices and costs*, deducting general and administrative expenses and financing costs and applying no discount.

[The *SPEE Handbook*]

Gas (or *natural gas*) The lighter hydrocarbons and associated non-hydrocarbon substances occurring naturally in an underground *reservoir*, which under atmospheric conditions are essentially gases but which may contain liquids. [The *SPEE Handbook*]

Gross (a) In relation to a *reporting issuer's* interest in production or *reserves*, the *reporting issuer's* interest before deduction of royalties.

(b) In relation to a *reporting issuer's* interest in a well or a *property*, the *reporting issuer's* interest before deduction of interests of others.

[The *SPEE Handbook*]

Heavy oil *Oil* with a density of 10 to 20 degrees API (as that term is defined by the American Petroleum Institute). [The *SPEE Handbook*]

Independent In respect of the relationship between a *qualified evaluator* and a *reporting issuer*, "independent" in accordance with *SPEE standards*. [*NI 51-101* and the *SPEE Handbook*]

Instrument (or *NI 51-101*) National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.

Jurisdiction	For the purposes of *NI 51-101*, a province or territory of Canada. [*NI 14-101*]
Lease	An agreement granting to the lessee rights to explore, develop and exploit a *property*. [The *SPEE Handbook*]
Marketable oil or gas	The volume of *oil* or *gas* measured at the point of sale to a third party, or transfer to another division of the *reporting issuer* for treatment prior to sale to a third party. For *gas*, this may occur either before or after removal of *natural gas* liquids. For *heavy oil* or *bitumen*, this is before the addition of diluent. [The *SPEE Handbook*]
Material	For the purposes of *NI 51-101,* information is *material,* in respect of a *reporting issuer*, if it would be likely to influence a decision by a reasonable investor to buy, hold or sell a security of the *reporting issuer.* This meaning differs from the definitions of "material change" and "material fact" in securities legislation, but is consistent with the meaning of the term as used, for accounting purposes, in the Handbook of the *CICA*. [*NI 51-101*]
Mcfe	Thousand cubic feet of gas equivalent. [*NI 51-101* and the *SPEE Handbook*]
Natural gas	*Gas*. [The *SPEE Handbook*]
Net	(a) In relation to a *reporting issuer's* interest in production or *reserves*, the *reporting issuer's* interest after deduction of royalties. (b) In relation to a *reporting issuer's* interest in a well or a *property*, the *reporting issuer's* interest after deduction of interests of others. [The *SPEE Handbook*]
NI 14-101	National Instrument 14-101 *Definitions*.
NI 44-101	National Instrument 44-101 *Short Form Prospectus Distributions*.
NI 51-101 (or *Instrument*)	National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.
Oil	*Crude oil* or *synthetic oil.* [The *SPEE Handbook*]
Oil and gas activities	"Oil and gas producing activities" as defined in the Glossary in the *FASB Standard* (currently in paragraph .403C).
Possible reserves	See Part 2 of this Appendix.
Preparation date	In respect of written disclosure, the most recent date of information considered in the preparation of the disclosure.
Probable reserves	See Part 2 of this Appendix.

Product type

One of four types of hydrocarbon product:

- light and medium *crude oil* including *natural gas* liquids (combined);
- *heavy oil*;
- *synthetic oil*; or
- *natural gas*.

[*NI 51-101* and the *SPEE Handbook*]

Property

The "mineral interests in properties" or "properties" referred to in the *FASB Standard* (currently in paragraph .103).

Prospect

A geographic or stratigraphic area in which the *reporting issuer* owns or intends to own one or more *oil* and *gas* interests, which is geographically defined on the basis of geological data and which is reasonably anticipated to contain at least one *reservoir* or part of a *reservoir* of *oil* and *gas*. [The *SPEE Handbook*]

Proved oil and gas reserve quantities

The "proved oil and gas reserve quantities", "proved oil and gas reserves" and "proved reserves" referred to in the *FASB Standard* (currently in paragraphs .180 and .405). [*NI 51-101*]

Proved reserves

See Part 2 of this Appendix.

Qualified evaluator

An individual *evaluator* who:

(a) in respect of estimates of particular *reserves data* or related information, possesses professional qualifications and experience appropriate for the estimation, *evaluation*, *review* or *audit* of the *reserves data* and related information, and

(b) is a member in good standing of a self-regulatory organization of engineers, geologists, other geoscientists or other professionals whose profession is relevant for the applicable purpose under clause (a) that:

(i) admits members primarily on the basis of their educational qualifications;

(ii) obliges its members to comply with standards of competence and ethics established by the organization;

(iii) has disciplinary powers, including the power to suspend or expel a member; and

(iv) is either:

(A) given authority or recognition by statute in a Canadian jurisdiction; or

(B) accepted for this purpose by the *securities regulatory authority* or the *regulator*.

[*NI 51-101*]

Regulator

As defined in *NI 14-101*, which identifies the *securities regulatory authority* or a person who holds a specified position with the *securities regulatory authority* (in several instances, its Executive Director or Director) in each *jurisdiction*.

Reporting issuer

(a) A "reporting issuer" as defined in *securities legislation*; or

(b) In a *jurisdiction* in which the term is not defined in *securities legislation*, an issuer of securities that is required to file financial statements with the *securities regulatory authority*.

Reservation — In relation to a report on *reserves data*, a modification of the *independent qualified evaluator's* standard report on *reserves data* set out in *Form 41-501F2*, caused by a departure from *SPEE standards* or by a limitation in the scope of work that the *independent qualified evaluator* considers necessary. A modification may take the form of a qualified or adverse opinion or a denial of opinion. [The *SPEE Handbook*]

Reserves — See section 2.1 of this Appendix.

Reserves data — *Reserves data* have four components, each of which is a total estimate for the *reporting issuer* (by country and for all countries):

(i) *proved reserves* and *probable reserves*, each of which is a quantity estimated as at the last day of the *reporting issuer's* most recent financial year, using *forecast prices and costs*;

(ii) *proved oil and gas reserve quantities*, estimated as at the last day of the *reporting issuer's* most recent financial year, using *constant prices and costs* as at the last day of that financial year;

(iii) *future net revenue* attributable to *proved reserves* and *probable reserves*, estimated as at the last day of the *reporting issuer's* most recent financial year, using *forecast prices and costs*; and

(iv) the *standardized measure*, estimated as at the last day of the *reporting issuer's* most recent financial year, using *constant prices and costs* as at the last day of that financial year.

[*NI 51-101*]

Reservoir — "Reservoir" as defined in the *FASB Standard* (currently in paragraph .406).

Resources — Those quantities of *oil* and *gas* which are estimated, on a given date, to be potentially recoverable from known accumulations and undiscovered accumulations and which are not *reserves*. [The *SPEE Handbook*]

Review — In relation to the role of an *independent qualified evaluator* in respect of *reserves data,* steps carried out by the *independent qualified evaluator*, consisting primarily of enquiry, analytical procedures and discussion related to a *reporting issuer's reserves data*, with the limited objective of assessing whether the *reserves data* are "plausible" in the sense of appearing to be worthy of belief based on the information obtained by the *independent qualified evaluator* as a result of carrying out such steps. Examination of documentation is not required unless the information does not appear to be plausible. [The *SPEE Handbook*]

SEC — The Securities and Exchange Commission of the United States of America. [The *SPEE Handbook*]

Securities legislation — The statute (in most cases entitled the *Securities Act*) and subordinate legislation (in most cases including regulations or rules) specified, for each *jurisdiction*, in *NI 14-101*.

References in *NI 51-101* to *securities legislation* are to be read as references to *securities legislation* in the particular *jurisdiction*.

Securities regulatory authority — The securities commission or comparable body specified, for each *jurisdiction*, in *NI 14-101*.

References in *NI 51-101* to the *securities regulatory authority* are to be read as references to the *securities regulatory authority* in the particular *jurisdiction*.

SEDAR	The System for Electronic Document Analysis and Retrieval referred to in National Instrument 13-101 *SEDAR.*
Service well	"Service well" as defined in paragraph .407 of the Glossary in the *FASB Standard.*
SPEE	The Canadian committee of The Society of Petroleum Evaluation Engineers, responsible for developing the *SPEE Handbook.* [*NI 51-101*]
SPEE Handbook	The "Canadian Oil and Gas Evaluator's Handbook" issued by the *SPEE*, as at [---------, 2002]. [*NI 51-101*]
SPEE standards	The standards, procedures and terminology specified in the *SPEE Handbook,* to be followed by *oil* and *gas reserves evaluators* and others in estimating, *auditing*, *reviewing* and reporting on estimates of *oil* and *gas reserves*, *future net revenue* and the *standardized measure*. [*NI 51-101*]
Standardized measure	The "standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities" referred to in paragraph .180 of the *FASB Standard*. [*NI 51-101*]
Supporting filing	A document that has been filed by the *reporting issuer* with the *securities regulatory authority*, provided that events subsequent to its filing have not rendered the information contained in the document inaccurate or misleading. [*NI 51-101*]
Synthetic oil	*Bitumen* and *oil* extracted from shale, tar sands (oil sands) or coal, and then upgraded. [The *SPEE Handbook*]
Undeveloped reserves	See Part 2 of this Appendix. [The *SPEE Handbook*]

PART 2. *RESERVES* TERMINOLOGY AND CLASSIFICATIONS

This Part is derived from the *SPEE Handbook*.

2.1 Meaning of *Reserves* - "*Reserves*" are estimated remaining quantities of *crude oil* and *natural gas* and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on:

(a) analysis of drilling, geological, geophysical and engineering data;

(b) the use of known technology; and

(c) specified economic conditions, being:

(i) *constant prices and costs*, as at the last day of a *reporting issuer's* financial year, used to estimate *proved oil and gas reserve quantities*; and

(ii) *forecast prices and costs*, used to estimate *reserves* other than *proved oil and gas reserve quantities*.

2.2 Primary Classifications of *Reserves* -

(1) Proved reserves are *reserves* that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual volume recovered will exceed the *proved reserves* estimate.

(2) Probable reserves are *reserves* additional to *proved reserves* that are less certain to be recovered than *proved reserves*. It is equally likely that the actual volume recovered will be greater or less than the sum of the *proved* plus *probable reserves* estimate.

(3) Possible reserves are *reserves* additional to *proved* plus *probable reserves* that are less certain to be recovered than *probable reserves*. It is unlikely that the actual volume recovered will exceed the *proved* plus *probable* plus *possible reserves* estimate.

2.3 Development and Production Status - Each of the primary *reserves* classifications, *proved, probable* and *possible*, may be divided into *developed* and *undeveloped* categories:

(a) Developed reserves are those *reserves* that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed that would involve a low expenditure (when compared to the cost of drilling a well) to put the *reserves* on production.

The *developed reserves* category may be subdivided into producing and non-producing:

(i) Developed producing reserves are those *reserves* that are expected to be recovered from completion intervals open at the time of the estimate. These *reserves* may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

(ii) Developed non-producing reserves are those *reserves* that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

(b) Undeveloped reserves are those *reserves* expected to be recovered from known accumulations where a significant expenditure (when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the *reserves* classification (*proved, probable, possible*) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool *reserves* between the developed and undeveloped categories or to subdivide the *developed reserves* for the pool between *developed producing* and *developed non-producing*. This allocation should be based on the estimator's assessment as to the *reserves* that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

2.4 Levels of Certainty - Reported total *reserves* estimated by deterministic or probabilistic methods, whether comprised of a single reserves entity or an aggregate estimate for multiple entities, should target the following levels of certainty under a specific set of economic conditions:

(a) There is a 90% probability that at least the estimated *proved reserves* will be recovered.

(b) There is a 50% probability that at least the sum of the estimated *proved reserves* plus *probable reserves* will be recovered.

(c) There is a 10% probability that at least the sum of the estimated *proved reserves* plus *probable reserves* plus *possible reserves* will be recovered.

A quantitative measure of the probability associated with a *reserves* estimate is generated only when a probabilistic estimate is conducted. The majority of *reserves* estimates will be performed using deterministic methods that do not provide a quantitative measure of probability. Whether deterministic or probabilistic methods are used, *evaluators* are expressing their professional judgement as to what are reasonable estimates.

SCHEDULE 1
to
APPENDIX
to
COMPANION POLICY 51-101CP
STANDARDS OF DISCLOSURE
FOR OIL AND GAS ACTIVITIES

FASB Standard

Paragraphs .103, .106, .107, .108, .112, .160 through .167, .174 through .184 and .401 through .408 of the "Financial Accounting Standards Board Current Text Section Oi5, Oil and Gas Producing Activities", as at [October 15, 2001], are set out below, with the permission of the United States Financial Accounting Foundation. These paragraphs comprise the "*FASB Standard*".

Footnotes and references in square brackets are from the original document, except that the footnotes have been renumbered in this Schedule to follow consecutively from "1". References in square brackets are to *FASB* statements from which the *FASB Standard* is derived.

Certain of the paragraphs below contain references to other paragraphs that are not reproduced here. Those other paragraphs, not reproduced here, are derived from *FAS 19* and deal with accounting matters rather than disclosure standards.

Copyright Notice

Scope

.103 An enterprise's oil and gas producing activities involve certain special types of assets. Costs of those assets shall be capitalized when incurred. Those types of assets broadly defined are:

a. *Mineral interests in properties* (hereinafter referred to as properties), that include fee ownership or a lease, concession, or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest. Properties also include royalty interests, production payments payable in oil or gas, and other nonoperating interests in properties operated by others. Properties include those agreements with foreign governments or authorities under which an enterprise participates in the operation of the related properties or otherwise serves as producer of the underlying reserves (refer to paragraph .163); but properties do not include other supply agreements or contracts that represent the right to purchase (as opposed to extract) oil and gas. Properties shall be classified as proved or unproved as follows:

(1) Unproved properties—properties with no **proved reserves.**

(2) Proved properties—properties with proved reserves.

b. Wells and related equipment and facilities,[1] the costs of which include those incurred to:

(1) Drill and equip those **exploratory wells** and **exploratory-type stratigraphic test wells** that have found proved reserves.

(2) Obtain access to proved reserves and provide facilities for extracting, treating, gathering, and storing the oil and gas, including the drilling and equipping of **development wells** and **development-type stratigraphic test wells** (whether those wells are successful or unsuccessful) and **service wells.**

c. Support equipment and facilities used in oil and gas producing activities (such as seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district, or field offices).

d. Uncompleted wells, equipment, and facilities, the costs of which include those incurred to:
(1) Drill and equip wells that are not yet completed.
(2) Acquire or construct equipment and facilities that are not yet completed and installed.

[FAS19, ¶11]

[1] Often referred to in the oil and gas industry as *lease and well equipment* even though, technically, the property may have been acquired other than by a lease. [FAS19, ¶11, fn1]

Accounting at the Time Costs Are Incurred

Acquisition of Properties

.106 Costs incurred to purchase, lease, or otherwise acquire a property (whether unproved or proved) shall be capitalized when incurred. They include the costs of lease bonuses and options to purchase or lease properties, the portion of costs applicable to minerals when land including mineral rights is purchased in fee, brokers' fees, recording fees, legal costs, and other costs incurred in acquiring properties.

[FAS19, ¶15]

Exploration

.107 Exploration involves (a) identifying areas that may warrant examination and (b) examining specific areas that are considered to have prospects of containing oil and gas reserves, including drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property.

[FAS19, ¶16]

.108 Principal types of exploration costs, which include depreciation and applicable operating costs of support equipment and facilities (refer to paragraph .117) and other costs of exploration activities, are:

a. Costs of topographical, geological, and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews, and others conducting those studies. Collectively, those are sometimes referred to as geological and geophysical, or *G&G,* costs.

b. Costs of carrying and retaining undeveloped properties, such as delay rentals, *ad valorem* taxes on the properties, legal costs for title defense, and the maintenance of land and lease records.

c. Dry hole contributions and bottom hole contributions.

d. Costs of drilling and equipping exploratory wells.

e. Costs of drilling exploratory-type stratigraphic test wells.[2]

[FAS19, ¶17]

Development

.112 Development costs are incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering, and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

a. Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines, and power lines, to the extent necessary in developing the proved reserves.

b. Drill and equip development wells, development-type stratigraphic test wells, and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly.

c. Acquire, construct, and install production facilities such as lease flow lines, separators, treaters, heaters, manifolds, measuring devices, and production storage tanks, natural gas cycling and processing plants, and utility and waste disposal systems.

d. Provide improved recovery systems.

[FAS19, ¶21]

Disclosure of Proved Oil and Gas Reserve Quantities

.160 Net quantities of an enterprise's interests in proved reserves and proved developed reserves of (a) crude oil (including condensate and natural gas liquids)[3] and (b) natural gas shall be disclosed as of the beginning and the end of the year. "Net" quantities of reserves include those relating to the enterprise's operating and nonoperating interests in properties as defined in paragraph .103(a). Quantities of reserves relating to royalty interests owned shall be included in "net" quantities if the necessary information is available to the enterprise; if reserves relating to royalty interests owned are not included because the

---

2 [Although] the costs of drilling stratigraphic test wells are sometimes considered to be geological and geophysical costs, they are accounted for separately in this section. [FAS19, ¶17, fn2]

3 If significant, the reserve quantity information shall be disclosed separately for natural gas liquids. [FAS69, ¶10, fn5]

information is unavailable, that fact and the enterprise's share of oil and gas produced for those royalty interests shall be disclosed for the year. "Net" quantities shall not include reserves relating to interests of others in properties owned by the enterprise.

[FAS69, ¶10]

.161 Changes in the net quantities of an enterprise's proved reserves of oil and of gas during the year shall be disclosed. Changes resulting from each of the following shall be shown separately with appropriate explanation of significant changes:

a. Revisions of previous estimates. Revisions represent changes in previous estimates of proved reserves, either upward or downward, resulting from new information (except for an increase in proved acreage) normally obtained from development drilling and production history or resulting from a change in economic factors.

b. *Improved recovery*. Changes in reserve estimates resulting from application of improved recovery techniques shall be shown separately, if significant. If not significant, such changes shall be included in revisions of previous estimates.

c. *Purchases of minerals in place.*

d. Extensions and discoveries. Additions to proved reserves that result from (1) extension of the proved acreage of previously discovered (old) reservoirs through additional drilling in periods subsequent to discovery and (2) discovery of new fields with proved reserves or of new reservoirs of proved reserves in old fields.

e. *Production.*

f. *Sales of minerals in place.*

[FAS69, ¶11]

.162 If an enterprise's proved reserves of oil and of gas are located entirely within its home country, that fact shall be disclosed. If some or all of its reserves are located in foreign countries, the disclosures of net quantities of reserves of oil and of gas and changes in them required by paragraphs .160 and .161 shall be separately disclosed for (a) the enterprise's home country (if significant reserves are located there) and (b) each **foreign geographic area** in which significant reserves are located. Foreign geographic areas are individual countries or groups of countries as appropriate for meaningful disclosure in the circumstances. [FAS69, ¶12]

.163 Net quantities disclosed in conformity with paragraphs .160 through .162 shall not include oil or gas subject to purchase under long-term supply, purchase, or similar agreements and contracts, including such agreements with governments or authorities. However, quantities of oil or gas subject to such agreements with governments or authorities as of the end of the year, and the net quantity of oil or gas received under the agreements during the year, shall be separately disclosed if the enterprise participates in the operation of the properties in which the oil or gas is located or otherwise serves as the "producer" of those reserves, as opposed, for example, to being an independent purchaser, broker, dealer, or importer.

[FAS69, ¶13]

.164 In determining the reserve quantities to be disclosed in conformity with paragraphs .160 through .163:

a. If the enterprise issues consolidated financial statements, 100 percent of the net reserve quantities attributable to the parent company and 100 percent of the net reserve quantities attributable to its consolidated subsidiaries (whether or not wholly owned) shall be included. If a significant portion of those reserve quantities at the end of the year is attributable to a consolidated subsidiary(ies) in which there is a significant minority interest, that fact and the approximate portion shall be disclosed.

b. If the enterprise's financial statements include investments that are proportionately consolidated, the enterprise's reserve quantities shall include its proportionate share of the investees' net oil and gas reserves.

c. If the enterprise's financial statements include investments that are accounted for by the equity method, the investees' net oil and gas reserve quantities shall *not* be included in the disclosures of the enterprise's reserve quantities. However, the enterprise's (investor's) share of the investees' net oil and gas reserve quantities shall be separately disclosed as of the end of the year.

[FAS69, ¶]

.165 In reporting reserve quantities and changes in them, oil reserves and natural gas liquids reserves shall be stated in barrels, and gas reserves in cubic feet.

[FAS69, ¶ 15]

.166 If important economic factors or significant uncertainties affect particular components of an enterprise's proved reserves, explanation shall be provided. Examples include unusually high expected development or lifting costs, the necessity to build a major pipeline or other major facilities before production of the reserves can begin, and contractual obligations to produce and sell a significant portion of reserves at prices that are substantially below those at which the oil or gas could otherwise be sold in the absence of the contractual obligation.

[FAS69, ¶ 16]

.167 If a government restricts the disclosure of estimated reserves for properties under its authority, or of amounts under long-term supply, purchase, or similar agreements or contracts, or if the government requires the disclosure of reserves other than proved, the enterprise shall indicate that the disclosed reserve estimates or amounts do not include figures for the named country or that reserve estimates include reserves other than proved.

[FAS69, ¶17]

Disclosure of the Results of Operations for Oil and Gas Producing Activities

.174 The results of operations for oil and gas producing activities shall be disclosed for the year. That information shall be disclosed in the aggregate and for each geographic area for which reserve quantities are disclosed (refer to paragraph .162). The following information relating to those activities shall be presented:[4]

a. Revenues

b. Production (lifting) costs

c. Exploration expenses[5]

d. Depreciation, depletion, and amortization, and valuation provisions

e. Income tax expenses

f. Results of operations for oil and gas producing activities (excluding corporate overhead and interest costs)

[FAS69, ¶24]

.175 Revenues shall include sales to unaffiliated enterprises and sales or transfers to the enterprise's other operations (for example, refineries or chemical plants). Sales to unaffiliated enterprises and sales or transfers to the enterprise's other operations shall be disclosed separately. Revenues shall include sales to unaffiliated enterprises attributable to net working interests, royalty interests, oil payment interests, and net profits interests of the reporting enterprise. Sales or transfers to the enterprise's other operations shall be based on market prices determined at the point of delivery from the producing unit. Those market prices shall represent prices equivalent to those that could be obtained in an arm's-length transaction. Production or severance taxes shall not be deducted in determining gross revenues, but rather shall be included as part of production costs. Royalty payments and net profits disbursements shall be excluded from gross revenues.

[FAS69, ¶25]

.176 Income taxes shall be computed using the statutory tax rate for the period, applied to revenues less production (lifting) costs, exploration expenses, depreciation, depletion, and amortization, and valuation provisions. Calculation of income tax expenses shall reflect [FAS69, ¶ 26] tax deductions, [FAS109, ¶ 288(u)] tax credits and allowances relating to the oil and gas producing activities that are reflected in the enterprise's consolidated income tax expense for the period.

[FAS69, ¶26]

.177 Results of operations for oil and gas producing activities are defined as revenues less production (lifting) costs, exploration expenses, depreciation, depletion, and amortization, valuation provisions, and income tax expenses. General corporate overhead and interest costs[6] shall not be deducted in computing the results of operations for an enterprise's oil and gas producing activities. However, some expenses incurred at an enterprise's central administrative office may not be general corporate expenses, but rather may be operating expenses of oil and gas producing activities, and therefore should be reported as such. The nature of an expense rather than the location of its incurrence shall determine whether it is an operating expense. Only those expenses identified by their nature as operating expenses shall be allocated as operating expenses in computing the results of operations for oil and gas producing activities.

[FAS69, ¶27]

---

4 If oil and gas producing activities represent substantially all of the business activities of the reporting enterprise and those oil and gas activities are located substantially in a single geographic area, the information required by paragraphs .174 through .179 need not be disclosed if that information is provided elsewhere in the financial statements [FAS69, ¶ 24, fn7] If oil- and gas-producing activities constitute an operating segment, as discussed in paragraphs .109 through .123 of Section S30, "Segment Disclosures and Related Information," information about the results of operations required by paragraphs .174 through .179 of this section may be included with segment information disclosed elsewhere in the financial report. [FAS131, ¶133(c)]

5 Generally, only enterprises utilizing the successful efforts accounting method will have exploration expenses to disclose, since enterprises utilizing the full cost accounting method generally capitalize all exploration costs when incurred and subsequently reflect those costs in the determination of earnings through depreciation, depletion, and amortization, and valuation provisions. [FAS69, ¶24, fn8]

6 The disposition of interest costs that have been capitalized as part of the cost of acquiring qualifying assets used in oil and gas producing activities shall be the same as that of other components of those assets' costs. [FAS69, ¶27, fn9]

.178 The amounts disclosed in conformity with paragraphs .174 through .177 shall include an enterprise's interests in proved oil and gas reserves (refer to paragraph .160) and in oil and gas subject to purchase under long-term supply, purchase, or similar agreements and contracts in which the enterprise participates in the operation of the properties on which the oil or gas is located or otherwise serves as the producer of those reserves (refer to paragraph .163).

[FAS69, ¶28]

.179 If the enterprise's financial statements include investments that are accounted for by the equity method, the investees' results of operations for oil and gas producing activities shall not be included in the enterprise's results of operations for oil and gas producing activities. However, the enterprise's share of the investees' results of operations for oil and gas producing activities shall be separately disclosed for the year, in the aggregate and by each geographic area for which reserve quantities are disclosed (refer to paragraph .162).

[FAS69, ¶29]

Disclosure of a Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserve Quantities

.180 A standardized measure of discounted future net cash flows relating to an enterprise's interests in (a) proved oil and gas reserves (refer to paragraph .160) and (b) oil and gas subject to purchase under long-term supply, purchase, or similar agreements and contracts in which the enterprise participates in the operation of the properties on which the oil or gas is located or otherwise serves as the producer of those reserves (refer to paragraph .163) shall be disclosed as of the end of the year. The standardized measure of discounted future net cash flows relating to those two types of interests in reserves may be combined for reporting purposes. The following information shall be disclosed in the aggregate and for each geographic area for which reserve quantities are disclosed in accordance with paragraph .162:

a. *Future cash inflows.* These shall be computed by applying year-end prices of oil and gas relating to the enterprise's proved reserves to the year-end quantities of those reserves. Future price changes shall be considered only to the extent provided by contractual arrangements in existence at year-end.

b. Future development and production costs. These costs shall be computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. If estimated development expenditures are significant, they shall be presented separately from estimated production costs.

c. *Future income tax expenses.* These expenses shall be computed by applying the appropriate year-end statutory tax rates, with consideration of future tax rates already legislated, to the future pretax net cash flows relating to the enterprise's proved oil and gas reserves, less the tax basis of the properties involved. The future income tax expenses shall give effect to [FAS69, ¶ 30] tax deductions, [FAS109, ¶ 288(u)] tax credits and allowances relating to the enterprise's proved oil and gas reserves.

d. Future net cash flows. These amounts are the result of subtracting future development and production costs and future income tax expenses from future cash inflows.

e. Discount. This amount shall be derived from using a discount rate of 10 percent a year to reflect the timing of the future net cash flows relating to proved oil and gas reserves.

f. Standardized measure of discounted future net cash flows. This amount is the future net cash flows less the computed discount.

[FAS69, ¶30]

.181 If a significant portion of the economic interest in the consolidated standardized measure of discounted future net cash flows reported is attributable to a consolidated subsidiary(ies) in which there is a significant minority interest, that fact and the approximate portion shall be disclosed.
[FAS69, ¶31]

.182 If the financial statements include investments that are accounted for by the equity method, the investees' standardized measure of discounted future net cash flows relating to proved oil and gas reserves shall not be included in the disclosure of the enterprise's standardized measure. However, the enterprise's share of the investees' standardized measure of discounted future net cash flows shall be separately disclosed for the year, in the aggregate and by each geographic area for which quantities are disclosed (refer to paragraph .162).

[FAS69, ¶32]

.183 The aggregate change in the standardized measure of discounted future net cash flows shall be disclosed for the year. If individually significant, the following sources of change shall be presented separately:

a. Net change in sales and transfer prices and in production (lifting) costs related to future production

b. Changes in estimated future development costs

c. Sales and transfers of oil and gas produced during the period

d. Net change due to extensions, discoveries, and improved recovery

e. Net change due to purchases and sales of minerals in place

f. Net change due to revisions in quantity estimates

g. Previously estimated development costs incurred during the period

h. Accretion of discount

i. Other — unspecified

j. Net change in income taxes

In computing the amounts under each of the above categories, the effects of changes in prices and costs shall be computed before the effects of changes in quantities. As a result, changes in quantities shall be stated at year-end prices and costs. The change in computed income taxes shall reflect the effect of income taxes incurred during the period as well as the change in future income tax expenses. Therefore, all changes except income taxes shall be reported pretax.

[FAS69, ¶33]

.184 Additional information necessary to prevent the disclosure of the standardized measure of discounted future net cash flows and changes therein from being misleading also shall be provided. [FAS69, ¶34]

GLOSSARY

.401 **Development well.** A well drilled within the **proved area** of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive. [FAS19, ¶ 274]

.402 **Exploratory well.** A well that is not a development well, a service well, or a stratigraphic test well, as those terms are defined in this section. [FAS19, ¶ 274]

.403 **Field.** An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature or stratigraphic condition, or both. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms *structural feature* and *stratigraphic condition* are intended to identify localized geological features as opposed to the broader terms of *basins, trends, provinces, plays, areas of interest,* etc.

[FAS19, ¶ 272]

.403A **Foreign geographic area.** Individual countries or groups of countries as appropriate for meaningful disclosure in the circumstances.

[FAS69, ¶12]

.403B **Industry segment.** A component of an enterprise engaged in providing a product or service or a group of related products or services primarily to external customers (that is, customers outside the enterprise) for a profit.

[FAS131, ¶133(a)]

.403C **Oil and gas producing activities.** Those activities [that] involve the acquisition of mineral interests in properties, exploration (including prospecting), development, and production of crude oil, including condensate and natural gas liquids, and natural gas.

[FAS19, ¶ 1]

.404 **Proved area.** The part of a property to which proved reserves have been specifically attributed.

[FAS19, ¶ 275]

.405 **Proved reserves:**[7]

a. *Proved oil and gas reserves.* The estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, that is, prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements but not on escalations based upon future conditions.

(1) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (a) that portion delineated by drilling and defined by gas-oil or oil-water contacts, if any, or both, and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data.

[7] The following definitions of proved reserves are those developed by the Department of Energy for its Financial Reporting System and adopted by the SEC on December 19, 1978 in Accounting Series Release 257. Reference should be made to the SEC's reporting requirements for revisions that may have been made since the issuance of ASR 257. [FAS25,¶ 34]

In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(2) Reserves that can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the *proved* classification if successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

(3) Estimates of proved reserves do not include the following: (a) oil that may become available from known reservoirs but is classified separately as *indicated additional reserves;* (b) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; (c) crude oil, natural gas, and natural gas liquids that may occur in undrilled prospects; and (d) crude oil, natural gas, and natural gas liquids that may be recovered from oil shales, coal, gilsonite, and other such sources.

b. *Proved developed oil and gas reserves.* Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as *proved developed reserves* only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery ill be achieved.

c. *Proved undeveloped reserves.* Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells for which a relatively major expenditure is required for recompletion. Reserves on undrilled acreage should be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only if it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

[FAS25, ¶ 34]

.405A **Publicly traded enterprise.** A business enterprise (a) whose securities are traded in a public market on a domestic stock exchange or in the domestic over-the-counter market (including securities quoted only locally or regionally) or (b) whose financial statements are filed with a regulatory agency in preparation for the sale of any class of securities in a domestic market.

[FAS69, ¶ 1, fn2]

.406 **Reservoir.** A porous and permeable underground formation containing a natural accumulation of producible oil or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

[FAS19, ¶ 273]

.407 **Service well.** A service well is a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane, or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion.

[FAS19, ¶ 274]

.408 **Stratigraphic test well.** A stratigraphic test is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intention of being completed for hydrocarbon production. This classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. For purposes of this section, stratigraphic test wells (sometimes called expendable wells) are classified as follows:

a. *Exploratory-type stratigraphic test well.* A stratigraphic test well not drilled in a proved area.

b. *Development-type stratigraphic test well.* A stratigraphic test well drilled in a proved area

[FAS19, ¶ 274]

SCHEDULE 2
to
APPENDIX
to
COMPANION POLICY 51-101CP

STANDARDS OF DISCLOSURE
FOR OIL AND GAS ACTIVITIES

Tar Sands Mining Disclosure

(Derived from *SEC* Industry Guide 7 "Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations", as at [October 15, 2001]. Differences between this document and *SEC* Industry Guide 7 are not substantive; they consist largely of renumbering, limited changes of terminology to conform to CSA usage, the deletion of certain instructions, and modified requirements for the furnishing of supporting documents.)

1. **Definitions**. The following definitions apply to reporting issuers engaged or to be engaged in significant tar sands (oil sands) mining operations:

(a) **Reserve.** That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Note: reserves are customarily stated in terms of "ore" when dealing with metalliferous minerals; when other materials such as coal, oil, shale, tar sands or limestone are involved, an appropriate term such as "recoverable coal" may be substituted.

(b) **Proven Reserves.** Reserves for which (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (ii) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

(c) **Probable Reserves.** Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

(d) (i) **Exploration Stage** - includes all reporting issuers engaged in the search for mineral deposits (reserves) which are not in either the development or production stage.

(ii) **Development Stage** - includes all reporting issuers engaged in the preparation of an established commercially mineable deposit (reserves) for its extraction which are not in the production stage.

(iii) **Production Stage** - includes all reporting issuers engaged in the exploitation of a mineral deposit (reserve).

2. **Mining Operations Disclosure.** Furnish the following information as to each of the mines, plants and other significant properties owned or operated, or presently intended to be owned or operated, by the reporting issuer:

(a) The location and means of access to the property;

(b) A brief description of the title, claim, lease or option under which the reporting issuer and its subsidiaries have or will have the right to hold or operate the property, indicating any conditions which the reporting issuer must meet in order to obtain or retain the property. If held by leases or options, the expiration dates of such leases or options should be stated. Appropriate maps may be used to portray the locations of significant properties;

(c) A brief history of previous operations, including the names of previous operators, insofar as known;

(d) (i) A brief description of the present condition of the property, the work completed by the reporting issuer on the property, the reporting issuer's proposed program of exploration and development, and the current state of exploration and/or development of the property. Mines should be identified as either open-pit or underground. If the property is without known reserves and the proposed program is exploratory in nature, a statement to that effect shall be made;

(ii) The age, details as to modernization and physical condition of the plant and equipment, including subsurface improvements and equipment. Further, the total cost for each property and its associated plant and equipment should be stated. The source of power utilized with respect to each property should also be disclosed.

(e) A brief description of the rock formations and mineralization of existing or potential economical significance on the property, including the identity of the principal metallic or other constituents insofar as known. If proven or probable reserves have been established, state (1) the estimated tonnages (barrels) and grades (or quality, where appropriate) of such classes of reserves, and (2) the name of the person making the estimates and the nature of his or her relationship to the reporting issuer.

INSTRUCTIONS to paragraph 2(e):

(1) It should be stated whether the reserve estimate is of in-place material or of recoverable material. Any in-place estimate should be qualified to show the anticipated losses resulting from mining methods and beneficiation or preparation.

(2) The summation of proven and probable reserves is acceptable if the difference in degree of assurance between the two classes of reserves cannot be readily defined.

(3) Estimates other than proven or probable reserves, and any estimated values of such reserves shall not be disclosed unless such information is required to be disclosed by foreign or state law; provided, however, that where such estimates previously have been provided to a person (or any of its affiliates) that is offering to acquire, merge or consolidate with, the reporting issuer or otherwise to acquire the reporting issuer's securities, such estimates may be included.

(f) If technical terms relating to geology, mining or related matters whose definition cannot readily be found in conventional dictionaries (as opposed to technical dictionaries or glossaries) are used, an appropriate glossary should be included in this report.

(g) Detailed geographic maps and reports, feasibility studies and other highly technical data should not be included in the report but should be to the degree appropriate and necessary for the regulator's understanding of the reporting issuer's presentation of business and property matters, furnished as supplemental information.

3. Supplemental Information.

(a) If an estimate of proven or probable reserves is set forth in the report, furnish:

(i) maps drawn to scale showing any mine workings and the outlines of the reserve blocks involved together with the pertinent sample-assay thereon.

(ii) all pertinent drill data and related maps.

(iii) the calculations whereby the basic sample-assay or drill data were translated into the estimates made of the grade and tonnage of reserves in each block and in the complete reserve estimate.

INSTRUCTIONS to paragraph 3(a):

Maps and drawings submitted to the regulator should include:

(a) A legend or explanation showing, by means of pattern or symbol, every pattern or symbol used on the map or drawing;

(b) A graphical bar scale should be included, additional representations of scale such as "one inch equals one mile" may be utilized, provided the original scale of the map has not been altered;

(c) A north arrow on the maps;

(d) An index map showing where the property is situated in relationship to the state or province, etc., in which it was located;

(e) A title of the map or drawing and the date on which it was drawn;

(f) In the event interpretive data is submitted in conjunction with any map, the identity of the geologist or engineer that prepared such data; and

(g) Any drawing should be simple enough or of sufficiently large scale to clearly show all features on the drawing.

(b) On the request of the regulator, furnish a complete copy of every material engineering, geological or metallurgical report concerning the reporting issuer's property, including governmental reports, which are known and available to the reporting issuer. Every such report should include the name of its author and the date of its preparation, if known to the reporting issuer.

(c) Furnish copies of all documents, such as title documents, operating permits and easements needed to support representations made in the report, requested by the regulator.

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 and other parties relying on exemptions that they are responsible for the completeness, accuracy, and timely filing of Forms 45-501F1 and 45-501F2, and any other relevant form, pursuant to section 72 of the *Securities Act* and OSC Rule 45-501 ("Exempt Distributions").

Reports of Trades Submitted on Form 45-501F1

Trans. Date	Purchaser	Security	Price ($)	Amount
21Dec01	5 Purchasers	1444932 Ontario Limited - Limited Partnership Units	4,733,850	28
21Dec01	22 Purchasers	1444932 Ontario Limited - Limited Partnership Units	5,776,650	35
20Dec01	26 Purchasers	1444932 Ontario Limited - Limited Partnership Units	8,403,450	50
28Dec01	5 Purchasers	1444932 Ontario Limited - Limited Partnership Units	29,696,700	179
19Dec01	18 Purchasers	1444932 Ontario Limited - Limited Partnership Units	11,215,050	67
19Dec01	41 Purchasers	1444932 Ontario Limited - Limited Partnership Units	32,212,950	195
27Dec01		1497334 Ontario Inc. - Series 1 Preferred Shares and Common Shares	4,788,001	2,640,613, 100
19Dec01		2007262 Ontario Inc. - Series 1 Preferred Shares and 100 Common Shares	3,503,501	637,000, 100 Resp.
21Dec01	Alan Forde	965451 Alberta Ltd. - Units	249,750	250,000
01Jan02	Conpsych Investment Inc. and Brian A. Banfield	ABC Fully-Managed Fund - Units	300,000	37,997
01Jan02	Mr. & Mrs. Mark Adler, and John Mills	ABC Fundamental - Value Fund - Units	300,000	22,141
13Dec01		Bartizan Communications Inc. - Common Shares	100	349,227
07Dec01	3 Purchasers	BPI American Opportunities Fund - Units	509,815	4,205
07Dec01	Murray Roberts, David and Sandra Brodigan	BPI Global Opportunities III Fund - Units	247,304	2,513
31Dec01	Joseph L. Rotman	Campion Resources Ltd. - Common Shares	675,000	300,000
31Dec01	John F. Kearney and Elisa Kearney	Canadian Zine Corporation - Flow-Through Shares	18,000	100,000
31Dec01	20 Purchasers	Carrington Park Project Limited Partnership - Limited Partnership Units	1,969,500	30
10Jan01	Tuscarora Capital Inc.	Case Resources Inc. - Common Shares	100,000	500,000
12Dec01		CC&L Global Fund -	5,995	406
11Dec01		CC&L Global Fund -	36,831	2,365
14Dec01		CC&L Global Futures Fund -	306	35

Trans. Date	Purchaser		Security	Price ($)	Amount
11Dec01			CC&L Private Client Bond Fund -	58,832	5,608
11Dec01			CC&L Private Client bond Fund -	367	34
12Dec01			CC&L Private Client Investment Trust Fund -	6,219	545
19Dec01			CC&L Private Client Bond Fund -	4,500	427
12Dec01			CC&L Private Client Bond Fund -	17,786	1,689
19Dec01			CC&L Private Client PCJ Canadian Small Capitalization Fund -	197,350	20,286
11Dec01			CC&L Private Client Canadian Equity Fund -	364	36
31Dec01			CGO&V Balanced Fund - Units of Trust	309,645	24,565
31Dec01			CGO&V Cumberland Fund - Units of Trust	6,000	421
31Dec01			CGO&V Enhanced Yield Fund - Units of Trust	84,501	8,196
09Jan01 to 31Jul01			Deans Knight Bond Fund - Mutual Fund Trust Units	98,822	208
31Jul01			Deans Knight Equity Growth Fund - Mutual Trust Unit	866	.8
31Dec01			Deer Creek Energy Limited - Special Warrants	1,300,000	1,040,000
20Dec01	4 Purchasers		Devlan Exploration Inc. - Common Shares	2,515,480	914,720
31Dec01	4 Purchasers	#	Diamondex Resources Ltd. - Flow-Through Units and Non-Flow-Through Units	1,074,999	1,312,500, 33,333
31Dec01	Jacqueline Roy		Drilcorp Energy Ltd. - Common Shares	5,000	10,000
21Dec01	7 Purchasers		E-Scotia Limited Partnership - Partnership Units	520,343	520,343
09Jan02	3 Purchasers		East West Resource Corporation - Units	20,000	200,000
18Dec01	Dynamic Venture Opportunities Fund Ltd.		Eatsleepmusic.com Corp. - Convertible Debentures	$500,000	500,000
01Jun01			Elmwood Investment Partners, LP - Limited Partnership Interest	US$200,000	200,000
02Apr01			Elmwood Investment Partners, LP - Limited Partnership Interest	US$300,000	300,000
01Jun01			Elmwood Investment Partners, LP - Limited Partnership Interest	US$250,000	250,000
31Dec01	Richard Bogoroch and Haron Ezer		Endless Energy Corp. - Common Shares and Flow-Through Common Shares	29,980	8,799, 99,216 Resp.
28Dec01	13 Purchasers		Endless Energy Corp. - Common Shares and Flow-Through Common Shares	434,436	132,955, 1,432,848 Resp.
31Dec01	3 Purchasers		Equity Retirement Rewards Limited Partnership - Limited Partnership Units	7,950,000	1,987,500
30Nov01			Excalibur Harvest Canadian Fund - Units	300,000	37,423
10Jan02	Michael Reid and Bryan Held		Expatriate Resources Ltd. - Units	40,000	100,000
31Dec01	Thomas V. Milroy		Gibraltar Engineering Services Limited Partnership - Limited Partnership Units	100,000	100
31Dec01	3 Purchasers		GLR Resources Inc. - Units	70,000	175,000
31Dec01	15 Purchasers		Goldhunter Exploration Inc. - Flow-Through Units, Working Capital Units and Shares	411,000	2,240,000, 200,000, 55,000 Shares
31Dec01			Harbour Capital Canadian Balanced Fund - Units	2,816,728	22,333
31Dec01			Harbour Capital Foreign Balanced Fund - Units	5,979,598	41,827
27Dec01	Colin Campbell, Bill Campbell and 1054361 Ontario Ltd.		Hostopia.com Inc. - Series A Preferred Shares	4,253,334	5,673,759
20Dec01			Innergex Income Fund - Common Units and Preferred Units	30,000, 770,000	30,000, 77,000 Resp.
03Jan01			International Finance Participation Trust - Class A Units	559,090,000	35,000

Trans. Date	Purchaser	Security	Price ($)	Amount
21Dec01	Canadian Film Centre Stability Reserve	KBSH - Money Market Fund - Units	500,000	50,000
13Dec01	DR. Herbert Fitterman	KBSH Private - RSP Balanced Fund - Units	327,790	36,320
02Jan02	Canadian Film Centre Stability Reserve	KBSH Private - Fixed Income Fund - Units	150,000	14,736
31Dec01	Kicking Horse Resources Ltd.	Kicking Horse Resources Ltd. - Flow-Through	80,800	115,429
07Dec0	4 Purchasers	Landmark Global Opportunities Fund - Units	175,000	1,651
31Dec00 to 30Sep01		Marvin & Palmer International Equity Fund -	8,052,492	666,756
31Dec01	Wabco American Standard	Morgan Stanley Investment Management Inc. - Units	4,135,000	346,277
31Dec01	17 Purchasers	Neuro Discovery Inc. - Common Shares	626,890	417,927
15Jan01 to 31Dec01	18 Purchasers	Nexus North American Equity Fund - Trust Units	1,675,335	180,688
15Jan01 to 31Dec01	59 Purchasers	Nexus North American Balanced Fund - Trust Units	4,645,158	414,992
31Oct01		NorthStar Offshore Fund V, Ltd. - Shares of Voting and Redeemable Common Stock	1,586,700	1,000
10Jan01	Pinetree Capital Corp.	NSI Global Inc. - Common Shares	350,000	700,000
31Dec01	12 Purchasers	Nuinsco Resources Limited - Units	357,000	892,500
31Dec01	3 Purchasers	Protexis Inc. - Convertible Debenture	$2,075,161	$2,075,161
21Dec01	3 Purchasers	Raven Energy Ltd. - Units	577,500	165,000
31Dec01		Redwood Energy, Ltd. - Class A Common Shares	71,005	129,100
31Dec01	4 Purchasers	Regis Resources Inc. - Common Shares	85,000	170,000
02Jan02	Gerry Gravino	Sebago Partners Offshore, Ltd. - Participating Shares	151,000	100
26Dec01	O'Donnell Capital Group, Inc.	Senesco Technologies, Inc. - Common Stock and Warrants	US$500,000	285,714
31Dec01	SHAAE (2001) Master Limited Partnership	Sentinel Hill No. 232 Limited Partnership - Class A Limited Partnership Units	3,111,143	3,111
31Dec01	SHAAE (2001) Master Limited Partnership	Sentinel Hill No. 232 Limited Partnership - Class A Limited Partnership Units	5,106,770	5,106
31Dec01	SHAAE (2001) Master Limited Partnership	Sentinel Hill No. 195 Limited Partnership - Class A Limited Partnership Units	6,466,675	6,466
28Dec01	SHAAE (2001) Master Limited Partnership	Sentinel Hill No. 219 Limited Partnership - Class A Limited Partnership Units	7,456,342	7,456
28Dec01	SHAAE (2001) Master Limited Partnership	Sentinel Hill No. 225 Limited Partnership - Class A Limited Partnership Units	5,912,996	5,912
31Dec01	SHAAE (2001) Master Limited Partnership	Sentinel Hill No. 115 Limited Partnership - Class A Limited Partnership Units	38,958,499	38,958
28Dec01	SHAAE (2001) Master Limited Partnership	Sentinel Hill No. 248 Limited Partnership - Class A Limited Partnership Units	4,898,046	4,898
28Dec01	SHAAE (2001) Master Limited Partnership	Sentinel Hill No. 255 Limited Partnership - Class A Limited Partnership Units	13,160,947	13,160
31Dec01	10 Purchasers	Signalta Resources limited - Joint Ventures	4,150,000	9
04Jan01 to 31Dec01		Sprucegrove International Fund and Sprucegrove Global Pooled Fund - Units	67,372,838	790,775
01Jan02	Uhrig Investments Inc.	Stacey Investment Limited Partnership - Limited Partnership Units	34,503	1,522
28Dec01	David Driedger	Stream Communications Network, Inc. - Units	97,000	60,625
08Jan02	Augen Limited Partnership VII	Tagish Lake Gold Corp. - Flow-Through Units	70,980	253,500
31Dec01	5 Purchasers	Teal Energy Inc. - Flow-Through Common Shares	271,106	98,584
30Dec01		Thewebmarket.com Inc. - Common Shares	5,000	10,000

Trans. Date	Purchaser	Security	Price ($)	Amount
14Dec01	7 Purchasers	Tribute Minerals Corp. Common Shares	165,000	1,650,000
07Dec01	Barry Schneider and Carl D'Croix	Trident Global Opportunities Fund - Units	137,973	1,304
31Dec01		Twenty-First Century Canadian Equity Fund - Units	373,449	238
31Dec01	3 Purchasers	Veteran Resources Inc. - Flow-Through Common Shares	79,000	177,000
16Nov01		Vial Resorts, Inc.- 8¾% Senior Subordinated Notes due 2009	$6,152,000	$6,152,000
19Dec01		World Heart Corporation - Special Warrants	9,134,499	1,660,818
21Dec01	Kevin D. Williams	Xavier Energy Ltd. - Units	99,900	100,000
30Nov01	Bank of Montreal	Young Broadcasting Inc. - 8½% Senior Notes due 2008	$2,355,000	$2,355,000

Resale of Securities - (Form 45-501F2)

Date of Trade	Date of Orig. Purchase	Seller	Security	Price ($)	Amount
31Dec01		Kicking Horse Resources Ltd. - Flow-Through Common Shares	Kicking Horse Resources Ltd. - Flow-Through Common Shares	80,800	115,429

Notice of Intention to Distribute Securities and Accompanying Declaration under Section 2.8 of Multilateral Instrument 45-102 Resale of Securities - Form 45-102F3

Seller	Security	Amount
Belzberg, Sidney H.	Belzberg Technologies Inc. - Common Shares	100,000
Belzberg, Alicia	Belzberg Technologies Inc. - Common Shares	100,000
The Catherine and Maxwell Meighen Foundation	Canadian General Investments, Limited - Common Shares	811,200
IoSolutions Inc.	Candor Ventures Corp. - Common Shares	1,571,225
Lauren Communications Ltd.	Cossette Communication Group Inc. - Subordinate Voting Shares	39,359
Comunication Mens Sana Incorporee	Cossette Communication Group Inc. - Subordinate Voting Shares	5,177
Les investments Maba Inc.	Cossette Communication Group Inc. - Subordinate Voting Shares	13,123
Estill, James A.	EMJ Data Systems Ltd. - Common Shares	80,000
783233 Alberta Ltd.	Epic Energy Inc. - Common Shares	1,500,000
Sheridan, John P.	Guyana Goldfields Inc. - Common shares	400,000
Lead Source Holdings Inc.	Mikotel Networks Inc. -	7,000,000
The Catherine and Maxwell Meighen Foundation	Third Canadian General Investment Trust Limited - Common Shares	201,400
Linda, Gaylord G.	Viceroy Homes Limited - Common Shares	50,000

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:
A&W Revenue Royalties Income Fund
Principal Regulator - British Columbia
Type and Date:
Amended Preliminary Prospectus dated January 18th, 2002
Mutual Reliance Review System Receipt dated January 18th, 2002
Offering Price and Description:
$ * - * Units @ $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
National Bank Financial Inc.
Raymond James Ltd.
Promoter(s):
A&W Food Services of Canada Inc.
Project #412147

"CORRECTED"
Issuer Name:
Emissary Canadian Equity Fund
Emissary Canadian Fixed Income Fund
Opus 2 Canadian Money Market Fund
Emissary U.S. Growth Fund
Emissary U.S. Value Fund
Emissary U.S. Small Cap Fund
Emissary Foreign Equity (E.A.F.E.) Fund
Emissary Global Equity (RSP) Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated January 14th, 2002
Mutual Reliance Review System Receipt dated January 18th, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Opus 2 Securities Inc.
Promoter(s):
Opus 2 Securities Inc.
Project #414690

Issuer Name:
Oxbow Equities Corp.
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated January 22nd, 2002
Mutual Reliance Review System Receipt dated January 23rd, 2002
Offering Price and Description:
$ * - * Common Shares @ $ * per Common Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Thomson Kernaghan & Co. Ltd.
Promoter(s):
Oxbow Equity Advisors 2001 Inc.
Project #416493

Issuer Name:
Putnam Canadian Balanced Fund
Putnam Canadian Bond Fund
Putnam Canadian Equity Fund
Putnam Canadian Money Market Fund
Putnam Global Equity Fund
Putnam U.S. Value Fund
Putnam U.S. Voyager Fund
Putnam International Equity Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Simplified Prospectuses dated January 21st, 2002
Mutual Reliance Review System Receipt dated January 22nd, 2002
Offering Price and Description:
Class A Units (SC and DSC Series) and Class M Units
Underwriter(s) or Distributor(s):
Promoter(s):
Putnam Investments Inc.
Project #410312

Issuer Name:
Putnam Canadian Balanced Fund
Putnam Canadian Bond Fund
Putnam Canadian Equity Fund
Putnam Canadian Money Market Fund
Putnam Global Equity Fund
Putnam U.S. Value Fund
Putnam U.S. Voyager Fund
Putnam International Equity Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated January 21st, 2002
Mutual Reliance Review System Receipt dated January 23rd, 2002
Offering Price and Description:
Class A Units (SC and DSC Series) and Class M Units
Underwriter(s) or Distributor(s):
Promoter(s):
Putnam Investments Inc.
Project #410312

Issuer Name:
Royal Laser Tech Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated January 23rd, 2002
Mutual Reliance Review System Receipt dated January 23rd, 2002
Offering Price and Description:
$24,000,000 - 3,000,000 Common Shares @ $8.00 per Share
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
Loewen, Ondaatje, McCutcheon Limited
Promoter(s):
-
Project #416687

Issuer Name:
Fidelity Global Opportunities Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Simplified Prospectus and Annual Information Form dated January 16th, 2002 to Simplified Prospectus and Annual Information Form dated November 15th, 2001
Mutual Reliance Review System Receipt dated 17th day of January, 2002
Offering Price and Description:
(Series A, Series F and Series O units)
Underwriter(s) or Distributor(s):
Fidelity Investments Canada Limited
Promoter(s):
-
Project #394460, 408120

Issuer Name:
Millennium Bullionfund
Type and Date:
Final Simplified Prospectus and Annual Information Form dated January 16th, 2002
Receipt dated 17th day of January, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #392525

Issuer Name:
New Millennium Venture Fund Inc.
Type and Date:
Final Prospectus dated January 22nd, 2002
Receipt dated 23rd day of January, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
New Millennium Internet Ventures Fund Inc.
Promoter(s):
-
Project #411401

Issuer Name:
Platinum Communications Corporation
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated January 15th, 2002
Mutual Reliance Review System Receipt dated 16th day of January, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Pacific International Securities Inc.
Promoter(s):
Trevor Alyn Perraton
Allen G. Stretton
Ronald J. Cargo
Wayne I. Bobye
John R. Perraton
Project #402570

Issuer Name:
RETROCOM GROWTH FUND INC.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated January 16th, 2002
Mutual Reliance Review System Receipt dated 18th day of January, 2002
Offering Price and Description:
CLASS A SERIES I SHARES AND CLASS C SERIES 8 SHARES
Underwriter(s) or Distributor(s):
-
Promoter(s):
Retrocom Investment Management Inc.
Project #410014

Issuer Name:
Working Ventures Canadian Fund Inc.
Working Ventures II Technology Fund Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated January 10th, 2002
Mutual Reliance Review System Receipt dated 21st day of January, 2002
Offering Price and Description:
(Class A Shares)
Underwriter(s) or Distributor(s):
Working Ventures Investment Services Inc.
Promoter(s):
-
Project #398121

Issuer Name:
Advantage Energy Income Fund
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated January 18th, 2002
Mutual Reliance Review System Receipt dated 18th day of January, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Promoter(s):
Advantage Investment Management Ltd.
Project #414474

Issuer Name:
Rogers Sugar Income Fund
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated January 23rd, 2002
Mutual Reliance Review System Receipt dated 23rd day of January, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #414463

Issuer Name:
World Heart Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated January 17th, 2002
Mutual Reliance Review System Receipt dated 17th day of January, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Yorkton Securities Inc.
First Associates Investments Inc.
Promoter(s):
-
Project #412152

Issuer Name:
Canadian Anaesthetists' Mutual Accumulating Fund Limited
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated January 14th, 2002
Mutual Reliance Review System Receipt dated 18th day of January, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Canadian Anaesthetists' Mutual Accumulating Fund Limited
Promoter(s):
-
Project #410034

Issuer Name:
Counsel All Equity RSP Portfolio
Counsel All Equity Portfolio
Counsel Growth RSP Portfolio
Counsel Growth Portfolio
Counsel Balanced RSP Portfolio
Counsel Balanced Portfolio
Counsel Conservative Portfolio
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated January 15th, 2002
Mutual Reliance Review System Receipt dated 21st day of January, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #398161

Issuer Name:
Fidelity RSP Global Opportunities Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated January 16th, 2002
Mutual Reliance Review System Receipt dated 17th day of January, 2002
Offering Price and Description:
(Series A, Series F, and Series O units)
Underwriter(s) or Distributor(s):
Fidelity Investments Canada Limited
Promoter(s):
-
Project #408120, 394460

Issuer Name:
Global Financial Services Trust, 2002 Portfolio
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated January 18th, 2002
Mutual Reliance Review System Receipt dated 22nd day of January, 2002
Offering Price and Description:
(Series A and Series F Units)
Underwriter(s) or Distributor(s):
First Defined Portfolio Management Co.
Promoter(s):
First Defined Portfolio Management Co.
Project #410813

Issuer Name:
Millennium Bullionfund
Type and Date:
Final Simplified Prospectus and Annual Information Form dated January 16th, 2002
Receipt dated 17th day of January, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #392525

Issuer Name:
Stone & Co. Health Sciences Fund
Stone & Co. Flagship Growth Industries Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated January 18th, 2002
Mutual Reliance Review System Receipt dated 22nd day of January, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Lion Funds Management Inc.
Promoter(s):
-
Project #409036

Issuer Name:
THE GOODWOOD CAPITAL FUND
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated January 11th, 2002
Mutual Reliance Review System Receipt dated 18th day of January, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Goodwood Inc.
Promoter(s):
-
Project #407522

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	SLF Capital Markets Inc. Attention: Gerald Goldberg 1167 Caledonia Road Toronto ON M6A 2X1	Limited Market Dealer	Jan 16/02
New Registration	Fahnestock Canada Inc. Attention: Dennis Roy Wing Chief Compliance Officer The Exchange Tower 130 King Street West, Suite 3690 Toronto ON M5X 1C7	Investment Dealer Equities	Jan 17/02
New Registration	Vengrowth Advanced Life Sciences Management Inc. Attention: Allen Wayne Lupyrypa 145 Wellington Street West Suite 200 Toronto ON M5J 1H8	Investment Counsel	Dec 31/01
New Registration	Gold Leaf Securities Inc. Attention: William Terrence Podolsky 130 King Street West, Suite 1800 The Exchange Tower, PO Box 427 Toronto ON M5X 1E3	Investment Dealer Equities Options Managed Accounts	Jan 17/02
New Registration	Janus Capital Corporation Attention: Edward Francis Keely 100 Filmore Street Denver CO 80206 USA	International Adviser Investment Counsel & Portfolio Manager	Jan 21/01
Change in Category (Categories)	Odyssey Capital Corporation Attention: Douglas McLaren Lane 49 Main Street St Catharines ON L2N 4T8	From: Mutual Fund Dealer To: Mutual Fund Dealer Limited Market Dealer	Jan 18/02

This Page Intentionally left blank

Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA Proposed Amendments to By-law No. 3 Relating to Association Entrance and Annual Fees

BY-LAW NO. 3

ENTRANCE, ANNUAL AND OTHER FEES

3.1. The Entrance Fee shall be $25,000.

3.2. The Annual Fee for each Member shall be the greater of $25,000 and the sum of:

(a) such amount, not less than $1,000 nor more than $15,000 in accordance with a formula which is based upon the capital employed in the business of the Member as at the end of the immediately preceding calendar year, which formula the Board of Directors in its discretion may determine from time to time;

(b) the additional amount, not less than $4,000, that the Board of Directors in its discretion determines from time to time based upon a prescribed percentage of the amount of the gross revenues (as hereinafter defined) of a Member earned during the immediately preceding calendar year. "Gross revenues" means any fee, commission, profit, interest, dividend, concession, discount, allowance or other income derived through carrying on the business of an investment dealer and includes the gross revenues of related companies provided that the related company is a subsidiary of the Member. The gross revenues shall be computed on a consolidated basis; and

(c) the additional amount, that the Board of Directors in its discretion determines from time to time based upon the number of registered individuals of a Member as at the end of the immediately preceding fiscal year.

The Board of Directors may from time to time re-determine the Annual Fee to be payable by any Member, provided that any such re-determination shall not take effect before the fiscal year of the Association next following the fiscal year of the Association in which such re-determination has been made. Before any such determination or re-determination is made, the Board of Directors shall obtain, but shall not be obliged to act upon, the recommendation of the Chair of the applicable District Council. In addition, where the Association has determined for a particular Member that its total Association costs for the immediately preceding fiscal year are less than $20,000, the Annual Fee for the Member shall be $15,000.

INVESTMENT DEALERS ASSOCIATION OF CANADA

PROPOSED AMENDMENTS TO BY-LAW 3 RELATING TO ASSOCIATION ENTRANCE AND ANNUAL FEES

I OVERVIEW

Over the past several years, IDA fees committees have been reconvened regularly to study the formula used in determining association entrance and annual fees. In each instance, the main objective of the committees has been to make revisions to the fee formula to ensure that it continues to accurately reflect the costs of regulation incurred by, and the services received by, each Member.

In April of 2000, the last time the fee formula was amended, a number of changes were made to the fee formula including: an increase in the minimum overall annual fee from $5,000 to $10,000, the introduction of a registered individual component to the annual fee calculation and a change in the basis of calculating the revenue component of the annual fee from net revenue to gross revenue.

However, even with these changes being made to the fee formula, there were still concerns being expressed that the formula still resulted in a number of Member firms subsidizing the regulatory costs of others and, for many firms, the Association's costs exceeded the fee revenue being collected. As a result, a Members' Fees Review Committee (the "Committee") was formed once again in the spring of this year to review the fee formula. To assist in the Committee's review of the entrance and annual fee formulas, a study of the regulatory costs incurred by each Member firm was completed by Association staff. This review indicated that for certain firms, the regulatory costs incurred were in excess of the fees currently being paid. As a result, the Committee has recommended further modifications to the entrance and annual fee formulas. The enclosed proposed amendments to By-law 3 seek to codify these modifications.

A CURRENT RULES

The current Association entrance fee is $5,000 as set out in By-law 3.1. The current Association annual fee is set out in By-law 3.2 and is the greater of $10,000 and the sum of the following three fee components:

1. Capital charge component: [By-law 3.2(a)]

A component of the annual fee of an amount not less than $1,000 and not more than $15,000 which is a percentage of the capital employed within the firm as at the previous calendar year end;

2. Revenue charge component: [By-law 3.2(b)]

A component of the annual fee of an amount not less than $4,000 which is a percentage of the gross revenues of the firm for the immediately preceding calendar year; and

3. Registered persons charge component: [By-law 3.2(c)]

A component of the annual fee based on the number of registered persons employed by the Member firm. Currently the fee being changed is $250 per registered person (where the registration is done by the IDA) be charged.

B THE ISSUE / OBJECTIVE

As previously mentioned, over the past several years the Committee has been meeting with the objective of ensuring that entrance and annual fees changed to Member firms continue to accurately reflect the costs of regulation incurred by and the services received by each Member.

C EFFECT OF PROPOSED RULE

As a result of its most recent review, the Committee has made a number of recommendations with respect to modifying the entrance and annual fee calculations.
However, some of these recommendations require further study. As a result, the only recommendations being brought forward at this time relate to the minimum entrance and annual fee levels.

The following is a summary of the current minimum entrance and annual fee levels:

Entrance Fee	
Fixed Entrance Fee	$5,000

Annual Fee	
Minimum Capital Charge Component	$1,000
Minimum Revenue Charge Component	$4,000
Minimum Overall Annual Fee	$10,000

In the case of the entrance fees, studies have shown that this current fixed entrance fee is generally not adequate to cover the costs associated with reviewing a membership application. The Committee has therefore recommended that the entrance fee be increased from $5,000 to $25,000. [refer to proposed black-line change to sub-section 3.1.].

As with entrance fees, the studies of annual fees have shown that the current minimum fee is not adequate to cover the annual costs associated with regulating a Member firm. In fact, even for the smallest dealer category[1], it is estimated that costs of regulation average in excess of $34,000 annually. The Committee has therefore recommended that the overall minimum fee be increased from $10,000 to $25,000 per year, subject to an exception. The exception is, where a Member firm has total Association costs of less than $20,000 for the immediately preceding fiscal year, the Member's annual fee will be $15,000 [refer to proposed black-line change to sub-section 3.2.].

These recommended changes to the calculation of the entrance and annual fees have been codified in the attached proposed amendments to By-law 3.

II COMMENTARY

As previously mentioned, over the past several years the Committee has been meeting with the objective of ensuring that entrance and annual fees charged to Member firms continue to accurately reflect the costs of regulation incurred by and the services received by each Member. It is believed that by making the proposed changes to the minimum entrance and annual fee levels, fees will be more closely aligned with the cost of regulating each Member firm.

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

It is believed that these proposed amendments will be effective in achieving the previously stated objectives of the Committee.

C PROCESS

These proposed amendments were developed, reviewed and recommended for approval by the IDA Fees Committee and approved by the IDA Board of Directors.

III SOURCES

IDA By-law 3

IV OSC REQUIREMENT TO PUBLISH FOR COMMENT

The Association has determined that the entry into force of the proposed amendments is housekeeping in nature. As a result, a determination has been made that these proposed rule amendments need not be published for comment.

Questions may be referred to:

Richard Corner
Director, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-6908
rcorner@ida.ca

[1] This referring to CIPF Category A Member firms who are Type 1 Introducing Brokers.

13.1.2 IDA Discipline Concerning Ellis Sven Gareth - Decision of the Ontario District Council

IN THE MATTER OF
DISCIPLINE PURSUANT TO BY-LAW 20 OF
THE INVESTMENT DEALERS ASSOCIATION OF CANADA

RE: ELLIS SVEN GARETH

DECISION OF THE ONTARIO DISTRICT COUNCIL

By Notice of Hearing and Particulars, dated October 24, 2001, issued pursuant to By-law 20 of the Association, staff of the Enforcement Department of the Association commenced a discipline proceeding concerning Ellis Sven Gareth. The Notice contained one allegation:

> From 1980 to 1999, Ellis Sven Gareth, an approved person of a Member of the Association, engaged in conduct that is unbecoming or contrary to the public interest by using and operating a bank account and securities accounts using a pseudonym, contrary to By-law 29.1 of the Association.

The Notice of Hearing and Particulars is attached as Appendix "A" to this ruling.

Service

The Notice indicated that a hearing would be held before the Ontario District Council on Thursday, November 22, 2001, beginning at 9:30 a.m., at the Association offices in Toronto.

Mr. Gareth did not appear. Mr. Awad, appearing for the Enforcement Department, provided documents indicating that the Notice had been sent to Mr. Gareth by registered mail, and picked up by him. Mr. Awad also advised that he had e-mailed and spoken to Mr. Gareth by phone, and that Mr. Gareth had stated that he did not intend to appear.

In view of the documentary evidence and the representations of Mr. Awad, the Panel is satisfied that Mr. Gareth has been properly served and has chosen not to file a Reply or to attend this hearing.

Acceptance of alleged facts and conclusions

By-law 20.16 of the Association provides as follows:

> 20.16. If an individual or Member summoned before a meeting of a District Council by way of a notice of hearing and particulars fails to:
>
> (i) serve a reply in accordance with By-law 20.14; or
>
> (ii) attend at the hearing specified in the notice of hearing and particulars, notwithstanding that a reply may have been served;
>
> the District Council may proceed with the hearing of the matter on the date and at the time and place set out in the notice of hearing and particulars, (or on any subsequent date, at any time and place,) without further notice to and in the absence of the individual or Member, and the District Council may accept the facts alleged or the conclusions drawn by the Association in the notice of hearing and particulars as having been proven by the Association and may impose any of the penalties described in By-law 20.10.

As Mr. Gareth did not serve a Reply or attend this hearing, Mr. Awad invited the Panel to exercise its discretion pursuant to By-law 20.16 and accept the facts alleged and conclusions drawn in the Notice as having been proven, without the presentation of further evidence.

The Panel considered counsel's request, and decided to accept the particulars set out in the Notice as proving the alleged contravention of By-law 29.1. The Panel then proceeded to the penalty phase of the hearing.

Penalty

Mr. Awad described Mr. Gareth's conduct as audacious, and submitted that Mr. Gareth had shown that he had "very low integrity" and should be barred permanently as he was "ungovernable".

The Panel had before it the Uniform Termination Notice in regards to Mr. Gareth. The Panel is prepared to accept as true that after Revenue Canada became involved, compliance personnel at Dundee Securities Corporation asked to meet with Mr. Gareth and his fictitious client. The Panel is also prepared to accept that Mr. Gareth maintained the deception by purporting to set up a meeting between Dundee, the client, and himself.

The Panel heard from Doug Cope, the investigator in this matter. Mr. Cope advised the Panel that he had to conduct a series of three interviews with Mr. Gareth, and confront him with evidence refuting previous representations, before Mr. Gareth would admit that the conduct had gone on for almost 20 years. For example, Mr. Gareth purported to not recognize an address where he had resided, until confronted by Mr. Cope.

Considering the particulars set out in the Notice, the documentary evidence presented, and the testimony of Mr. Cope, we agree with the submission of the Enforcement Department that Mr. Gareth be permanently barred from approval with any Member of the Association.

In regard to monetary penalties, we were advised that Mr. Gareth did not profit from the trading. We were further advised that Mr. Gareth is in his 60s, has left the industry, and is devoting himself to raising three young children. In the circumstances, the Panel agreed with the submission of staff of the Enforcement Department that disgorgement was not appropriate in view of the lack of profits, and a fine was not required in addition to the permanent bar.

The Panel fixed costs at $2,500, payable within thirty (30) days.

_____
Hon. Fred Kaufman, C.M., Q.C., Chair

_____
David W. Kerr

_____
Michael Walsh

Chapter 25

Other Information

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

This Page Intentionally left blank