The Ontario Securities Commission

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

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

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Fax: 18th Floor - 416-593-3681 (Corporate Finance: Take over Bid)
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TODAY'S OSC

Protects investors from unfair, improper or fraudulent practices.
Fosters fair, efficient capital markets in Ontario.
Creates confidence in the integrity of those markets.
Is pro-active, intelligently aggressive and innovative.

Today's OSC seeks exceptional individuals with the skills, energy and commitment necessary to play a leading role in Ontario's rapidly evolving capital markets.

Opportunities exist in the Corporate Finance Branch for:

LEGAL COUNSEL (2), CORPORATE FINANCE TEAM:
You will provide legal services and advice to the Branch and the Commission in all aspects of securities regulation arising in the context of distributions of securities. You will comment on offering documents, analyse applications for exemptive relief, respond to inquiries from the street, monitor compliance with Ontario securities laws, and participate in tribunal proceedings. You will also participate in various projects and policy initiatives which respond to emerging issues in the Ontario and Canadian capital markets.

LEGAL COUNSEL, CONTINUOUS DISCLOSURE TEAM:
You will provide legal services and advice to the Team and the Commission in all aspects of securities regulation related to continuous disclosure obligations of reporting issuers. You will primarily be responsible for review of continuous disclosure filings by reporting issuers to monitor compliance with Ontario securities laws and analysis of applications for exemptive relief. You will respond to inquiries from reporting issuers and their advisors, make recommendations on live issues and participate in tribunal proceedings. You will also participate in various projects and policy initiatives which respond to emerging continuous disclosure issues in the Ontario and Canadian capital markets.

You are a Member of the Law Society of Upper Canada with a minimum of two years' practice experience in securities law and have a comprehensive knowledge of securities and related legislation. You demonstrate excellent legal research, writing, analytical, negotiation and communication skills. Your ability to adapt to changes in law, industry, or regulatory requirements supplement your proven ability to do well as part of a team. You can work to meet established and emerging deadlines and prioritize competing work demands.

If you thrive in a responsive, performance based culture, and would like to work in the public interest, please submit your resume in confidence by May 26, 2000 to Human Resources, Ontario Securities Commission, Suite 1900, Box 55, 20 Queen Street West, Toronto, Ontario, M5H 3S8. You may also fax us at 416-593-8348 or send e-mail to HR@osc.gov.on.ca.

Ontario Securities Commission

Ontario

The Ontario Securities Commission is an equal opportunity employer.

Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

May 12, 2000

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
19th Floor, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

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

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

- -

THE COMMISSIONERS

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Howard Wetston, Q.C. Vice-Chair	—	HW
Kerry D. Adams, FCA	—	KDA
Stephen N. Adams, Q.C.	—	SNA
Derek Brown	—	DB
Morley P. Carscallen, FCA	—	MPC
Robert W. Davis	—	RWD
John F. (Jake) Howard, Q.C.	—	JFH
Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
R. Stephen Paddon, Q.C	—	RSP

SCHEDULED OSC HEARINGS

Date to be announced

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
Mr. I. Smith in attendance for staff.

Panel: HW / DB / MPC

Date to be announced

Richard Thomas Slipetz

s. 127
Mr. T. Moseley in attendance for staff.

Panel: TBA

Hearing will take place at:
Alcohol & Gaming Commission of Ontario
Atrium on Bay
20 Dundas Street West
7th Floor
Hearing Room "D"
Toronto, Ontario

Date to be announced	**2950995 Canada Inc., 153114 Canada Inc., Robert Armstrong, Jack Austin, Suzanne Ayscough, Mary Bradley, Gustavo Candiani, Patricia Carson, Stephen Carson, Lucy Caterina, Micheline Charest, Mark Chernin, Alison Clarke, Susannah Cobbold, Marie-Josée Corbeil, Janet Dellosa, François Deschamps, Marie-Louise Donald, Kelly Elwood, David Ferguson, Louis Fournier, Jean Gauvin, Jeffrey Gerstein, Benny Golan, Menachem Hafsari, Amir Halevy, Jerry Hargadon, Karen Hilderbrand, Jorn Jessen, Bruce J. Kaufman, Mohamed Hafiz Khan, Kathy Kelley, Phillip Kelley, Lori Evans Lama, Patricia Lavoie, Michael Légaré, Pierre H. Lessard, Carol Lobissier, Raymond McManus, Michael Mayberry, Sharon Mayberry, Peter Moss, Mark Neiss, Gideon Nimoy, Hasanain Panju, Andrew Porporino, Stephen F. Reitman, John Reynolds, Mario Ricci, Louise Sansregret, Cassandra Schafhausen, Andrew Tait, Lesley Taylor, Kim M. Thompson, Daniel Tierney, Barrie Usher, Ronald A. Weinberg, Lawrence P. Yelin and Kath Yelland** s. 127 Ms. S. Oseni in attendance for staff. Panel: TBA Hearing will take place at: **Alcohol & Gaming Commission of Ontario** Atrium on Bay 20 Dundas Street West 7th Floor Hearing Room D Toronto, Ontario	
May11/2000 10:00 a.m.	**Amalgamated Income Limited Partnership and 479660 B.C. Ltd.** s. 127 & 127.1 Ms. J. Superina in attendance for staff. Panel: TBA Hearing will take place at: **Alcohol & Gaming Commission of Ontario** Atrium on Bay 20 Dundas Street West 7th Floor Toronto, Ontario	
Jul 31/2000- Aug18/2000 10:000 a.m.	**Paul Tindall and David Singh** s. 127 Ms. M. Sopinka in attendance for staff. Panel: TBA	
ADJOURNED SINE DIE		
		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
		Irvine James Dyck
		M.C.J.C. Holdings Inc. and Michael Cowpland
		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

PROVINCIAL DIVISION PROCEEDINGS

Date to be announced	**Michael Cowpland and M.C.J.C. Holdings Inc.** s. 122 Ms. M. Sopinka in attendance for staff. Courtroom 122, Provincial Offences Court Old City Hall, Toronto
May 16/2000 9:00 a.m. Courtroom C Dec 4/2000 Dec 5/2000 Dec 6/2000 Dec 7/2000 9:00 a.m. Courtroom N	**1173219 Ontario Limited c.o.b. as TAC (The Alternate Choice), TAC International Limited, Douglas R. Walker, David C. Drennan, Steven Peck, Don Gutoski, Ray Ricks, Al Johnson and Gerald McLeod** s. 122 Mr. D. Ferris in attendance for staff. Provincial Offences Court Old City Hall, Toronto
May 8/2000 May 9/2000 May 10/2000 May 11/2000 May 12/2000 9:00 a.m.	**Glen Harvey Harper** s.122(1)(c) Mr. J. Naster in attendance for staff. Courtroom G, Provincial Offences Court Old City Hall, Toronto
June 5/2000 June 6/2000 June 7/2000 June 8/2000 June 9/2000 10:00 a.m.	**Einar Bellfield** s. 122 Ms. K. Manarin in attendance for staff. Courtroom A, Provincial Offences Court Old City Hall, Toronto
June 6/2000 2:00 p.m. Pre-trial conference Oct 10/2000 - Nov 3/2000 Trial	**Dual Capital Management Limited, Warren Lawrence Wall, Shirley Joan Wall** s. 122 Ms. J. Superina in attendance for staff. Court Room No. 9 114 Worsley Street Barrie, Ontario
July 11/2000 July 18/2000 9:00 a.m.	**Arnold Guettler, Neo-Form North America Corp. and Neo-Form Corporation** s. 122(1)(c) Mr. D. Ferris in attendance for staff. Court Room No. 124, Provincial Offences Court Old City Hall, Toronto
Oct 16/2000 - Dec 22/2000 10:00 a.m.	**John Bernard Felderhof** Mssrs. J. Naster and I. Smith for staff. Courtroom TBA, Provincial Offences Court Old City Hall, Toronto

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

1.2 Notice of Hearings

1.2.1 2950995 Canada Inc. et al. - s. 127

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

AND

IN THE MATTER OF 2950995 CANADA INC., 153114 CANADA INC., ROBERT ARMSTRONG, JACK AUSTIN, SUZANNE AYSCOUGH, MARY BRADLEY, GUSTAVO CANDIANI, PATRICIA CARSON, STEPHEN CARSON, LUCY CATERINA, MICHELINE CHAREST, MARK CHERNIN, ALISON CLARKE, SUSANNAH COBBOLD, MARIE-JOSÉE CORBEIL, JANET DELLOSA, FRANÇOIS DESCHAMPS, MARIE-LOUISE DONALD, KELLY ELWOOD, DAVID FERGUSON, LOUIS FOURNIER, JEAN GAUVIN, JEFFREY GERSTEIN, BENNY GOLAN, MENACHEM HAFSARI, AMIR HALEVY, JERRY HARGADON, KAREN HILDERBRAND, JORN JESSEN, BRUCE J. KAUFMAN, MOHAMED HAFIZ KHAN, KATHY KELLEY, PHILLIP KELLEY, LORI EVANS LAMA, PATRICIA LAVOIE, MICHAEL LÉGARÉ, PIERRE H. LESSARD, CAROL LOBISSIER, RAYMOND MCMANUS, MICHAEL MAYBERRY, SHARON MAYBERRY, PETER MOSS, MARK NEISS, GIDEON NIMOY, HASANAIN PANJU, ANDREW PORPORINO, STEPHEN F. REITMAN, JOHN REYNOLDS, MARIO RICCI, LOUISE SANSREGRET, CASSANDRA SCHAFHAUSEN, ANDREW TAIT, LESLEY TAYLOR, KIM M. THOMPSON, DANIEL TIERNEY, BARRIE USHER, RONALD A. WEINBERG, LAWRENCE P. YELIN AND KATH YELLAND

NOTICE OF HEARING
(Section 127)

TAKE NOTICE that the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at 20 Dundas Street West, 7th Floor, Hearing Room D, Toronto, Ontario (Offices of the Alcohol and Gaming Commission) commencing on the 5th day of May, 2000, at 2:00 p.m. or as soon thereafter as the hearing can be held;

TO CONSIDER whether, pursuant to section 127(1) of the Act, it is in the public interest for the Commission to make an order:

(i) that trading, whether direct or indirect, in securities of CINAR by any of the respondents cease permanently or for such period as the Commission may determine; and/or

(ii) such other order as the Commission may deem appropriate;

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

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

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

April 27th, 2000.

"John Stevenson"

1.2.2 2950995 Cananda Inc. et al. - Statement of Allegations

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

AND

IN THE MATTER OF 2950995 CANADA INC., 153114 CANADA INC., ROBERT ARMSTRONG, JACK AUSTIN, SUZANNE AYSCOUGH, MARY BRADLEY, GUSTAVO CANDIANI, PATRICIA CARSON, STEPHEN CARSON, LUCY CATERINA, MICHELINE CHAREST, MARK CHERNIN, ALISON CLARKE, SUSANNAH COBBOLD, MARIE-JOSÉE CORBEIL, JANET DELLOSA, FRANÇOIS DESCHAMPS, MARIE-LOUISE DONALD, KELLY ELWOOD, DAVID FERGUSON, LOUIS FOURNIER, JEAN GAUVIN, JEFFREY GERSTEIN, BENNY GOLAN, MENACHEM HAFSARI, AMIR HALEVY, JERRY HARGADON, KAREN HILDERBRAND, JORN JESSEN, BRUCE J. KAUFMAN, MOHAMED HAFIZ KHAN, KATHY KELLEY, PHILLIP KELLEY, LORI EVANS LAMA, PATRICIA LAVOIE, MICHAEL LÉGARÉ, PIERRE H. LESSARD, CAROL LOBISSIER, RAYMOND McMANUS, MICHAEL MAYBERRY, SHARON MAYBERRY, PETER MOSS, MARK NEISS, GIDEON NIMOY, HASANAIN PANJU, ANDREW PORPORINO, STEPHEN F. REITMAN, JOHN REYNOLDS, MARIO RICCI, LOUISE SANSREGRET, CASSANDRA SCHAFHAUSEN, ANDREW TAIT, LESLEY TAYLOR, KIM M. THOMPSON, DANIEL TIERNEY, BARRIE USHER, RONALD A. WEINBERG, LAWRENCE P. YELIN AND KATH YELLAND

STATEMENT OF ALLEGATIONS OF STAFF OF THE ONTARIO SECURITIES COMMISSION

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

1. CINAR Corporation ("CINAR") is incorporated under the laws of Canada. CINAR is a reporting issuer in Ontario. Shares of CINAR trade on the Toronto Stock Exchange.

2. Each of 2950995 Canada Inc., 153114 Canada Inc., Robert Armstrong, Jack Austin, Suzanne Ayscough, Mary Bradley, Gustavo Candiani, Patricia Carson, Stephen Carson, Lucy Caterina, Micheline Charest, Mark Chernin, Alison Clarke, Susannah Cobbold, Marie-Josée Corbeil, Janet Dellosa, François Deschamps, Marie-Louise Donald, Kelly Elwood, David Ferguson, Louis Fournier, Jean Gauvin, Jeffrey Gerstein, Benny Golan, Menachem Hafsari, Amir Halevy, Jerry Hargadon, Karen Hilderbrand, Jorn Jessen, Bruce J. Kaufman, Mohamed Hafiz Khan, Kathy Kelley, Phillip Kelley, Lori Evans Lama, Patricia Lavoie, Michael Légaré, Pierre H. Lessard, Carol Lobissier, Raymond McManus, Michael Mayberry, Sharon Mayberry, Peter Moss, Mark Neiss, Gideon Nimoy, Hasanain Panju, Andrew Porporino, Stephen F. Reitman, John Reynolds, Mario Ricci, Louise Sansregret, Cassandra Schafhausen, Andrew Tait, Lesley Taylor, Kim M. Thompson, Daniel Tierney, Barrie Usher, Ronald A. Weinberg, Lawrence P. Yelin, Kath Yelland are, or were during the financial year of CINAR ended November 30, 1999, directors, officers or insiders of CINAR.

3. Certain of the respondents hold securities of CINAR indirectly through entities controlled by them including Patricia Carson, Stephen Carson, Robert A. Weinberg, Micheline Charest and Phillip Kelley.

4. CINAR failed to file annual financial statements for its financial year ended November 30, 1999 (the "1999 financial statements") on or before April 18, 2000, contrary to subsection 78(1) of the Act.

5. By application to the Commission dated April 3, 2000, CINAR requested an exemption from the requirement contained in subsection 78(1) of the Act that CINAR file its 1999 financial statements on or before July 18, 2000. The requested relief has not been granted.

6. By virtue of their relationship to CINAR, each respondent has, or has access to, information regarding the affairs of CINAR that has not been generally disclosed.

7. It would be prejudicial to the public interest to allow the respondents to trade in the securities of CINAR until such time as all disclosure required by Ontario securities law has been made by CINAR.

8. It is therefore in the public interest for the Director to order that all trading, whether direct or indirect, in the securities of CINAR by the respondents cease until such time as CINAR has made all filings it is required to make under Ontario securities law.

1.3 News Releases

1.3.1 Mikael Prydz - Commission Issues Reasons in Second Proceeding

May 10, 2000

Re: Commission Issues Reasons in Second Proceeding Against Mikael Prydz

Toronto - The Ontario Securities Commission (the "Commission") has issued its reasons for decision arising from the proceeding against Mikael Prydz ("Prydz") which was heard on April 13, 2000. Staff of the Commission had alleged that Prydz violated the terms of a settlement agreement he had entered into with the Commission in February 2000 and the resulting order of the Commission by failing to remove language from the website of his employer. In addition, Prydz failed to provide Staff with a complete list of investors to give effect to his undertaking to send a letter to all investors. Prydz also sent a letter to investors which contradicted his admissions in the settlement agreement. Finally, Staff alleged that Prydz' conduct had demonstrated a complete disregard for the Commission's process.

In its decision the Commission held that Prydz "knowingly and intentionally failed to honour the Settlement Agreement which he had entered into voluntarily in order to settle the previous proceedings". The Commission also held that Prydz showed a disregard for the securities laws of this province and disrespect for the Commission.

In determining the appropriate sanction to be imposed against Prydz, the Commission held as follows:

> In this case, Mr. Prydz not only breached his undertakings made in the Settlement Agreement, he did so in three different respects, showing, in our view, that he considered the Settlement Agreement as no more than a means of getting rid of the settled proceedings, with no real intention of being bound by the Settlement Agreement. In our view, such conduct exacerbates the breaches of the Act admitted by Mr. Prydz in the Settlement Agreement, and shows that Mr. Prydz continues to have little regard for the securities laws of this province. In our view, the public interest clearly requires that Mr. Prydz be removed from the capital markets of this province for a very substantial period of time in order to protect those markets and investors in this province.

The Commission made the following orders against Prydz:

1. An order that Prydz is prohibited from trading in securities for a period of 10 years from February 8, 2005. This order is in addition to the cease trade order imposed on Prydz by the Commission on February 8, 2000 for a period of 5 years;

2. An order that Prydz shall resign all positions that he holds as a director or officer of an issuer;

3. An order that Prydz is prohibited from becoming or acting as a director or officer of any issuer during the period from the date of the Commission's decision until February 8, 2015; and

4. An order that Prydz is reprimanded.

Copies of the Notice of Hearing, the Statement of Allegations and the Reasons for Decision can be obtained from the Commission, 19th Floor, 20 Queen Street West, Toronto, Ontario and on the Commission's website at www.osc.gov.on.ca.

References:

Frank Switzer
Manager, Corporate Relations
(416) 593-8120

Michael Watson
Director, Enforcement Branch
(416) 593-8156

1.3.2 Amalgamated Income Limited Partnership and 479660 B.C. Ltd.

May 10, 2000

AMALGAMATED INCOME LIMITED PARTNERSHIP AND 479660 B.C. LTD.

Toronto - On April 26, 2000 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing and related Statement of Allegations against Amalgamated Income Limited Partnership ("Amalgamated") and 479660 B.C. Ltd. ("479660"). The hearing in respect of Amalgamated and 479660 is scheduled for Thursday, May 11, 2000 at 10:00 a.m. at the offices of the Commission, 20 Queen Street West, 19th Floor, Executive Boardroom. The purpose of the hearing will be for the Commission to consider whether to approve a proposed settlement of this matter. The terms of the proposed settlement will only be released if and when the Commission approves the proposal.

The allegations made by Staff of the Commission against the Respondents as set out in the Notice of Hearing issued on April 26, 2000 and related Statement of Allegations include the following:

- Amalgamated is a limited partnership and a reporting issuer in all the provinces of Canada. Amalgamated is engaged in the business of acquiring, holding and trading units of mutual fund limited partnerships.

- The general partner of Amalgamated is 479660, a company incorporated under the laws of the Province of British Columbia. The head office of 479660 is located in British Columbia. 479660 has carried on business as the general partner of Amalgamated since about November 18, 1994.

- In early 1995, Amalgamated commenced purchasing units in certain limited partnerships (the "Limited Partnerships"), more particularly described in the Statement of Allegations. During the material times, Amalgamated breached the requirements of the *Ontario Securities Act* (the "Act") as follows:

  (i) Amalgamated failed to issue and file a news release and failed to file a report as required under subsection 101(1) of the Act with respect to the acquisition of units of certain Limited Partnerships;

  (ii) Amalgamated failed to issue and file a news release and failed to file a report in respect of additional acquisitions of 2% of the outstanding units of certain Limited Partnerships as required under subsection 101(2) of the Act;

  (iii) Amalgamated further failed to comply with the trading moratorium rules provided for in subsection 101(3) of the Act in relation to certain acquisitions of units of Limited Partnerships;

  (iv) Amalgamated failed to file reports required by section 107 of the Act with respect to changes in its holdings of various Limited Partnerships;

  (v) Amalgamated failed to honour the representations made by Amalgamated to Staff in June, 1998 that Amalgamated would bring its filings up to date as required. Amalgamated did not bring certain filings up to date in relation to Amalgamated's acquisition of units in the Limited Partnerships until well over a year after it made representations to Staff that it would take steps to comply with its reporting requirements and only after Amalgamated was advised by Staff that Amalgamated continued to breach the requirements under sections 101 and 107 of the Act;

  (vi) Amalgamated made nine separate acquisitions of units in certain Limited Partnerships each of which constituted a take-over bid within the meaning of Part XX of the Act, and were made in contravention of the applicable requirements of Part XX of the Act;

  (vii) Amalgamated failed to file, and to date has not filed, reports in accordance with Form 28 - Annual Filing of a Reporting Issuer as required under subsection 81(2) of the Act and section 5 of the Regulation;

  (viii) Amalgamated failed to file, and to date has not filed, reports required by sections 101 and 107 of the Act, as more particularly outlined in the Statement of Allegations;

  (ix) Amalgamated failed to make payment of fees in excess of $58,038.86 as required under the Act and the Regulation, more particularly described in the Statement of Allegations; and

  (x) 479660, the general partner of Amalgamated, by virtue of its powers, duties and obligations, as set out in the limited partnership agreement, more particularly described in the Statement of Allegations, authorized, permitted or acquiesced in the contraventions of the Act by Amalgamated contrary to the public interest.

Copies of the Notice of Hearing and Statement of Allegations are available at www.osc.gov.on.ca or from the Commission, 19th Floor, 20 Queen Street West, Toronto, Ontario.

References:

Frank Switzer
Manager, Corporate Relations
(416) 593-8120

Michael Watson
Director, Enforcement Branch
(416) 593-8128

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Canadian Association of Financial Planners et al. - MRRS Decision

Headnote

Exemption granted to a number of mutual fund management companies from prohibition contained in subsection 5.4(1) of National Instrument 81-105 Mutual Fund Sales Practices to permit them to pay a portion of the costs incurred by a financial planners industry association in organizing their 2000 Annual Convention, provided certain conditions are met.

Rules Cited

National Instrument 81-105 Mutual Fund Sales Practices

IN THE MATTER OF NATIONAL INSTRUMENT 81-105 MUTUAL FUND SALES PRACTICES

AND

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

AND

IN THE MATTER OF THE CANADIAN ASSOCIATION OF FINANCIAL PLANNERS

AND

IN THE MATTER OF SENTRY SELECT CAPITAL CORP. ELLIOT & PAGE LIMITED INVESTORS GROUP FINANCIAL SERVICES INC. AIM FUNDS MANAGEMENT INC. MACKENZIE FINANCIAL CORPORATION. TRIMARK INVESTMENT MANAGEMENT INC. FIDELITY INVESTMENTS CANADA LIMITED C.I. MUTUAL FUNDS INC. TALVEST FUND MANAGEMENT INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, Yukon, Nunavut and Northwest Territories (the "Jurisdictions") has received an application from The Canadian Association of Financial Planners (the "Association") and Sentry Select Capital Corp., Elliot & Page Limited, Investors Group Financial Services Inc., AIM Funds Management Inc., Mackenzie Financial Services Inc., Trimark Investment Management Inc., Fidelity Investments Canada Limited, C.I. Mutual Funds Inc. and Talvest Fund Management Inc. (collectively the "Filers") for a decision pursuant section 9.1 of National Instrument 81-105 Mutual Sales Practices (the "National Instrument") for an exemption from subsection 5.4(1) of the National Instrument to permit the Filers to pay a portion of the cost incurred by the Association in organizing its annual conference to be held in May, 2000;

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 Association and the Filers have represented to the Decision Makers that:

1. The Association is a trade association for the financial planning industry in Canada. It is dedicated to raising the standards of financial planning, raising consumer awareness of the value of financial planning services and promoting its membership as the most qualified and credible financial planners in Canada.

2. Membership in the Association includes personal financial planners, mutual sales representatives, stockbrokers, life insurance or general insurance agents, bank or trust company representatives and suppliers of services or products to financial planners. Approximately 20% of the members of the Association are "fee-only" financial planners not licensed to sell securities and another 20% are employees of the Investors Group of Companies, who are licensed to sell only Investors Group products.

3. The association has held an annual educational conference for its members for the past sixteen years.

4. The 2000 Annual Convention (the "2000 Convention") is to take place in Toronto from May 31 - June 3, 2000. 1,500 members of the Association are expected to attend. The 2000 Convention will be an educational event and attendees earn credit hours towards the annual continuing education credits required by the Association.

5. Each of the Filers are members of the organization of a mutual fund family within the meaning of the National Instrument and are registered in or may otherwise distribute mutual funds in each of the Jurisdictions.

6. The Filers have agreed to pay a portion of the costs of the 2000 Convention and, accordingly, wish to sponsor

certain key educational or social events at the 2000 Convention.

7. Subsection 5.4(1) of the National Instrument prohibits a member of the organization of a mutual fund from sponsoring the costs or expenses relating to a conference, seminar or course that is organized and presented by The Investment Funds Institute of Canada ("IFIC"), the Investment Dealers Association of Canada (the "IDA") or another trade or industry association. Subsection 5.4(2) of the National Instrument provides an exemption to permit members of the organization of mutual funds to sponsor conferences, seminars or courses organized or presented by IFIC, the IDA or their respective affiliates, on the conditions indicated.

8. The Filers propose to sponsor a portion of the costs of 2000 Convention in accordance with the conditions set out in subsection 5.4(2) of the National Instrument for IFIC and IDA sponsored conferences.

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

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

THE DECISION of the Decision Makers pursuant to the National Instrument is that the prohibition contained in subsection 5.4(1) prohibiting members of the organization of a mutual fund from sponsoring the costs or expenses relating to a conference, seminar or course that is organized and presented by The Investment Funds Institute of Canada ("IFIC"), the Investment Dealers Association of Canada (the "IDA") or another trade or industry association, shall not apply to the Filers in paying a portion of the direct costs (as defined in the National Instrument) incurred by the Association relating to the 2000 Convention, provided that the conditions set out in subsection 5.4(2) of the National Instrument are complied with by each Filer and the Association in respect of the 2000 Convention.

May 3rd, 2000.

"Howard I. Wetston" "Morley P. Carscallen"

2.1.2 Cell-Loc Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - waiver granted pursuant to section 4.5 of National Policy Statement No. 47 to enable issuer to participate in the POP System when it did not meet the "public float" test in the last calendar month of the 1999 financial year in respect of which its Initial AIF is filed provided that it does meet the "public float" test at a date within 60 days before the filing of its preliminary short form prospectus - waiver reflects the revised eligibility criteria set out in proposed National Instrument 44-101.

Applicable Ontario Statutory Provisions

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

Rules Cited

In the Matter of Prompt Offering Qualification System (1997), 20 OSCB 1217.

Proposed Rule implementing proposed National Instrument 44-101 - *Prompt Offering Qualification System* (1998), 21 OSCB 1138.

Policies Cited

National Policy Statement No. 47 - *Prompt Offering Qualification System*, ss. 4.1 and 4.5.

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

AND

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

AND

IN THE MATTER OF
CELL-LOC INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland (collectively, the "Jurisdictions") has received an application (the "Application") from Cell-Loc Inc. ("Cell-Loc") for a waiver pursuant to Section 4.5 of National Policy 47 ("NP 47") from the provisions of section 4.1(2) of NP 47 to permit

Cell-Loc to be eligible to participate in the prompt offering qualification system (the "POP" System");

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;

AND WHEREAS the Cell-Loc has represented to the Decision Makers that:

1. Cell-Loc was incorporated on June 30, 1995 under the *Business Corporations Act* (Alberta) and maintains its head office in Calgary, Alberta;

2. Cell-Loc has been a reporting issuer or equivalent in Alberta and British Columbia since March 25, 1997 and in Ontario and Manitoba since February 28, 2000, and is not in default of any requirement of the securities legislation of such provinces;

3. Cell-Loc's Common Shares are currently listed and posted for trading on The Toronto Stock Exchange under the symbol "CLQ";

4. Cell-Loc's financial year-end is June 30;

5. As at June 30, 1999, the date of Cell-Loc's most recent financial year end, 14,488,250 Common Shares were issued and outstanding, of which 7,740,000 were beneficially owned, directly or indirectly, or over which control or direction was exercised by Persons (as defined in NP 47) that alone or together with their respective affiliates or Associates (as defined in NP 47) beneficially owned or exercised control or direction over more than 10% of the Common Shares (the "Insider Shares");

6. As at June 30, 1999, the aggregate market value of Cell-Loc's Common Shares, excluding the Insider Shares, calculated in accordance with NP 47 was $16,938,108 (based on an arithmetic average closing trading price for the month of June 1999 of $2.51);

7. Cell-Loc would be eligible under NP 47 to participate in the POP System but for the fact that the aggregate market value of the Equity Securities for the month of June 1999 was less than $75,000,000;

8. As at February 29, 2000, 17,529,755 Common Shares were issued and outstanding, of which 7,783,800 were Insider Shares;

9. As at February 29, 2000, the aggregate market value of Cell-Loc's Common Shares excluding Insider Shares, calculated in accordance with NP 47 was $339,646,532 (based on an arithmetic average closing trading price for the month of February 2000 of $34.85);

10. As at March 22, 2000, 20,658,305 Common Shares were issued and outstanding, of which 8,394,640 were Insider Shares;

11. As at March 22, 2000, the aggregate market value of Cell-Loc's Common Shares excluding Insider Shares, calculated in accordance with NP 47 was $710,556,750 (based on an arithmetic average closing trading price for the period March 1 - 22, 2000 of $57.94); and

12. Cell-Loc would be eligible to participate in the POP System upon the filing and acceptance of its Initial AIF under Proposed National Instrument 44-101, which would replace the current calculations of the market value of an issuer's Equity Securities under NP 47 by a calculation as of a date within 60 days before the filing of the issuer's preliminary short form prospectus;

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 securities legislation of the applicable Jurisdiction that provides the Decision Maker with the jurisdiction to make the Decision has been met, and is further satisfied that to do so would be appropriate in the circumstances and would not be prejudicial to the public interest;

THE DECISION of the Decision Makers in the Jurisdictions pursuant to section 4.5 of NP 47 is that the Decision Makers waive the provisions of section 4.1(2) of NP 47 in respect of Cell-Loc to permit Cell-Loc to be eligible to participate in the POP System, provided that:

(a) Cell-Loc complies in all other respects with the requirements of NP 47;

(b) Cell-Loc satisfies the criteria of section 4.1(1)(c) of NP 47 on a date within 60 days before the date of filing of Cell-Loc's preliminary short form prospectus;

(c) the eligibility certificate to be filed in respect of the Applicant's Initial AIF shall state that the Applicant satisfies the eligibility criteria set out in Sections 4.1(1)(a) and 4.1(1)(b) of NP 47, and shall make reference to this waiver; and

(d) this waiver terminates on the earlier of:

  (i) 140 days after the end of Cell-Loc's financial year ended June 30, 2000; and

  (ii) the date of filing of a Renewal AIF (as defined in NP 47) by Cell-Loc in respect of its financial year ended June 30, 2000.

DATED at Edmonton, Alberta on April 27th, 2000.

"Agnes Lau"

2.1.3 Claringtonfunds Inc., Clarington RSP Navellier U.S. All Cap Fund, Clarington RSP Technology Fund and Clarington RSP Global Equity Fund - MRRS Decision

Headnote

Investment by mutual funds in securities of another mutual fund that is under common management for specified purpose exempted from the requirements of clause 111(2)(b), subsection 111(3), clauses 117(1)(a) and 117(1)(d), subject to certain specified conditions.

Statutes Cited

Securities Act (Ontario), R.S.O. 1990 c.S.5, as am. ss. 111(2)(b), 111(3), 113, 117(1)(a), 117(1)(d), and 117(2).

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

AND

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

AND

IN THE MATTER OF

CLARINGTONFUNDS INC.
CLARINGTON RSP NAVELLIER U.S. ALL CAP FUND
CLARINGTON RSP TECHNOLOGY FUND
CLARINGTON RSP GLOBAL EQUITY FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application (the "Application") from ClaringtonFunds Inc. ("Clarington"), on its own behalf and on behalf of Clarington RSP Navellier U.S. All Cap Fund, Clarington RSP Technology Fund, and Clarington RSP Global Equity Fund (collectively the "RSP Funds"), for a decision by each Decision Maker (collectively the "Decision") under the securities legislation of the Jurisdictions (the "Legislation") that the following prohibitions or requirements under the Legislation (the "Applicable Requirements") do not apply to the RSP Funds, or Clarington, as the case may be, in connection with certain investments to be made by the RSP Funds:

1. the prohibition against a mutual fund knowingly making and 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 securityholder; and
2. the requirement that a management company of a mutual fund 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 under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS Clarington made the following representations to the Decision Makers:

1. Each of the RSP Funds will be, and each of Clarington Navellier U.S. All Cap Fund, Clarington Technology Fund, and Clarington Global Equity Fund (collectively the "Underlying Funds") is, an open-ended mutual fund trust established or will be established under the laws of the Province of Ontario.

2. Clarington is a corporation established under the laws of the Province of Ontario. Clarington's head office is located in Toronto, Ontario. Clarington is, or will be, the manager and trustee of each of the Underlying Funds and the RSP Funds.

3. The RSP Funds will be, and the Underlying Funds are, reporting issuers and the Underlying Funds are not in default of any requirements of the Legislation of the Jurisdictions.

4. The securities of each of the Underlying Funds are currently qualified for distribution in all the Jurisdictions pursuant to simplified prospectuses and annual information forms dated August 26, 1999, December 13, 1999, and January 20, 2000, respectively. The securities of the RSP Funds will be qualified under a simplified prospectus and annual information form (the "Prospectus") to be filed shortly in all the provinces and territories of Canada.

5. Each of the RSP Funds seeks to achieve its investment objective while ensuring that securities of the RSP Funds do not constitute "foreign property" for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans (the "Registered Plans") under the *Income Tax Act* (Canada) (the "Tax Act").

6. To achieve their investment objective, each of the RSP Funds will invest their assets in securities such that their units will, in the opinion of tax counsel to the RSP Funds, be "qualified investments" for Registered Plans and will not constitute foreign property (as defined in the Tax Act) to such Registered Plans. This will primarily be achieved through the implementation of a derivative strategy. However, the RSP Funds also intend to invest a portion of their assets in securities of their corresponding Underlying Fund. These investments by the RSP Funds will at all times be below

the maximum foreign property limit prescribed for Registered Plans (the "Permitted Limit").

7. The investment objectives of the Underlying Funds are or will be achieved through investments primarily in foreign securities.

8. The direct investments by the RSP Funds in their corresponding Underlying Funds will be within the Permitted Limit (the "Permitted RSP Fund Investments"). Clarington and the RSP Funds will comply with the conditions of this Decision in respect of such investments. The amount of direct investment by each RSP Fund in its corresponding Underlying Fund will be adjusted from time to time so that, except for transitional cash, the aggregate of the derivative exposure to, and direct investment in, the Underlying Fund will equal 100% of the assets of that RSP Fund.

9. Except to the extent evidenced by this Decision Document and except for the specific exemptions or approvals granted or to be granted by the Canadian securities administrators under National Instrument 81-102 ("NI 81-102"), the investments by the RSP Funds in the Underlying Funds have been or will be structured to comply with the investment restrictions of the Legislation and NI 81-102.

10. In the absence of the Decision, each of the RSP Funds is prohibited from

    (a) knowingly making an investment in the corresponding Underlying Fund in which the RSP Fund, alone or together with one or more related mutual funds, is a substantial securityholder; and

    (b) knowingly holding an investment referred to in subsection (a) above, and would thus be required to divest itself of such investment.

11. In the absence of the Decision, Clarington would be required to file a report on every purchase or sale of by the RSP Funds of securities of their corresponding Underlying Funds.

12. The investment in or redemption of securities of the corresponding Underlying Funds by the RSP Funds represents the business judgment of responsible persons, uninfluenced by considerations other than the best interests of the RSP Funds.

AND WHEREAS under the System, this MRRS Decision Document evidences the Decision of each Decision Maker;

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

THE DECISION of the Decision Makers under the Legislation is that the Applicable Requirements do not apply to the RSP Funds or Clarington, as the case may be, in respect of investments to be made by the RSP Funds in their corresponding Underlying Funds,

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 the matters in subsection 2.5 of NI 81-102; and

2. the Decision shall only apply in respect of investments in, or transactions with, the corresponding Underlying Funds that are made by the RSP Funds in compliance with the following conditions:

    a) the RSP Funds and the Underlying Funds are under common management, and the Underlying Funds' securities are offered and will continue to be offered for sale in the Jurisdiction of the Decision Maker pursuant to a prospectus that has been filed with and accepted by the Decision Maker;

    b) each RSP Fund restricts its aggregate direct investment in its Underlying Fund to a percentage of its assets that is within the Permitted Limit;

    c) the investment by each RSP Funds in its Underlying Fund is compatible with the fundamental investment objectives of the RSP Fund;

    d) the Prospectus of the RSP Funds will describe the intent of the RSP Funds to invest in their corresponding Underlying Funds;

    e) the RSP Funds may change the Permitted RSP Fund Investments if they change their fundamental investment objectives in accordance with NI 81-102;

    f) no sales charges are payable by the RSP Funds in relation to their purchases of securities of the corresponding Underlying Funds;

    g) there are compatible dates for the calculation of the net asset value of the RSP Funds and their corresponding Underlying Funds for the purpose of the issue and redemption of the securities of the RSP Funds and the Underlying Funds;

    h) no redemption fees or other charges are charged by the Underlying Funds in respect of the redemption by the RSP Funds of securities of the Underlying Funds owned by the RSP Funds;

    i) the arrangements between or in respect of the RSP Funds and the Underlying Funds are such as to avoid the duplication of management fees;

    j) no fees and charges of any sort are paid by each RSP Fund, their corresponding Underlying

Funds, the manager or principal distributor of the RSP Funds or the Underlying Funds, or by any affiliate or associate of any of the foregoing entities, to anyone in respect of each RSP Fund's purchase, holding or redemption of the securities of its Underlying Fund;

k) in the event of the provision of any notice to securityholders of an Underlying Fund, as required by the constating documents of the Underlying Fund or by applicable laws, such notice will also be delivered to the securityholders of the corresponding RSP Fund; all voting rights attached to the securities of the Underlying Fund which are owned by the corresponding RSP Fund will be passed through to the securityholders of the RSP Fund;

l) in the event that a meeting of the securityholders' of an Underlying Fund is called, all of the disclosure and notice material prepared in connection with such meeting and received by the corresponding RSP Fund will be provided to the securityholders of such RSP Fund; such securityholders will be entitled to direct a representative of the RSP Fund to vote the RSP Fund's holding in the Underlying Fund in accordance with their direction; and the representative of the RSP Fund will not be permitted to vote the RSP Fund's holdings in the Underlying Fund except to the extent the securityholders of the RSP Funds so direct;

m) in addition to receiving the annual and (upon request) the semi-annual financial statements of the RSP Funds, securityholders of the RSP Funds will receive the annual and (upon request) the semi-annual financial statements of the Underlying Funds either in a combined report containing the financial statements of both the RSP Funds and the Underlying Funds, or in a separate report containing the Underlying Funds' financial statements; and

n) to the extent that the RSP Funds and the Underlying Funds do not use a combined simplified prospectus, annual information form and financial statements containing disclosure about the RSP Funds and the Underlying Funds, copies of the simplified prospectus, annual information form and financial statements relating to the Underlying Funds may be obtained upon request by a securityholder of the RSP Funds.

May 5th, 2000.

"Howard I. Wetston" "R. Stephen Paddon"

2.1.4 Counsel Managed Fund and Counsel International Managed RSP Fund - MRRS Decision

Headnote

Subsection 62(5) - Extension of lapse date sought to permit the fund manager to introduce several new mutual funds in the same prospectus disclosure documents as the existing funds and to allow the manager to comply with the plain language and form requirements of NI 81-101.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., 62(5).

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

AND

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

AND

IN THE MATTER OF COUNSEL MANAGED FUND COUNSEL INTERNATIONAL MANAGED RSP FUND

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland (the "Jurisdictions") has received an application (the "Application") from Counsel Group of Funds Inc. (the "Manager"), Counsel Managed Fund and Counsel International Managed RSP Fund (the "Funds") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the time limits pertaining to the distribution of units under the prospectus of the Funds be extended to those time limits that would be applicable if the lapse date of the prospectus was July 17, 2000;

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

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

(a) The Manager is a corporation incorporated under the laws of Ontario. The Manager is the manager and promoter of the Funds. The registered office of the Manager is located in Ontario.

(b) The Funds are open-ended mutual fund trusts established by the Manager under the laws of Ontario.

(c) The Funds are reporting issuers under the Legislation and are not in default of any requirements of the Legislation or the Regulations made thereunder.

(d) The Funds are presently offered for sale on a continuous basis in each province (except Quebec) and territory of Canada pursuant to a simplified prospectus (the "Prospectus"). Although the method for determining the lapse date for the Prospectus varies from Jurisdiction to Jurisdiction, the earliest lapse date for the Prospectus is May 17, 2000 (the "Lapse Date").

(e) Since the date of the Prospectus, no material change has occurred and no amendments to the Prospectus have been made. Accordingly, the Prospectus represents up to date information regarding each of the Funds. The extensions requested will not affect the currency or accuracy of the information contained in the Prospectus of the Funds and accordingly will not be prejudicial to the public interest.

(f) The Manager is contemplating introducing several new mutual funds and wishes them to be included in the same prospectus disclosure document as the Funds. Application for exemptive relief in respect of the proposed strategies of those new funds may be necessary.

(g) The Prospectus will have to be substantially amended in order to comply with National Instrument 81-101. Currently, the Manager is revising the Prospectus to comply with plain language and form requirements. The requested extension of the Lapse Dates would also facilitate the completion of the redrafting process, and would ensure that the Manager has sufficient time to revise and combine the Prospectus so that it complies with the requirements of National Instrument 81-101.

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

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

The Decision of the Decision Makers pursuant to the Legislation is that the time limits provided by the Legislation as they apply to the distribution of securities of the Funds under the Prospectus are hereby extended to the time limits that would be applicable if the Lapse Date for the Prospectus of the Funds was July 17, 2000.

May 9th, 2000.

"Rebecca Cowdery"

2.1.5 Emerald Private Capital Small Cap Equity Fund - MRRS Decision

Headnote

MRRS for Exemptive Relief Applications - Extension of lapse date to permit a fund sufficient time to conform its renewal prospectus to the new disclosure requirements of NI 81-101.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 62(5)

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

AND

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

AND

IN THE MATTER OF THE
EMERALD PRIVATE CAPITAL SMALL CAP EQUITY FUND
(the "Fund")

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the provinces and territories of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Newfoundland, Prince Edward Island, Northwest Territories, Nunavut Territory, and Yukon Territory (the "Jurisdictions") has received an application from TD Asset Management Inc. (the "Applicant") on behalf of the Fund for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the time limits prescribed by the Legislation for filing a simplified prospectus and annual information form ("AIF") in respect of the Fund be extended;

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

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

1. The Applicant is the trustee and manager of the Fund.

2. The Fund is an open-ended mutual fund trust established under the laws of Ontario pursuant to a Declaration of Trust dated April 8, 1998.

3. The Fund is qualified for distribution in each of the provinces and territories of Canada by means of a simplified prospectus and annual information form dated April 19, 1999, a receipt for which was issued by each of the jurisdictions on April 23, 1999 (the "1999 Prospectus").

4. The Fund is a reporting issuer in each of the Jurisdictions and is not currently in default of any requirements of the Legislation or the rules or regulations made thereunder.

5. Pursuant to the Legislation of the Jurisdictions, except Ontario, the lapse date for the distribution of units of the Fund under the 1999 Prospectus is April 19, 2000. The lapse date for the distribution of units of the Fund under the 1999 Prospectus in Ontario is April 23, 2000 (each the "Lapse Date").

6. Pursuant to the Legislation of the Jurisdictions, the Fund must file a pro-forma renewal prospectus (the "Pro-Forma Prospectus") not later than thirty days prior to the Lapse Date.

7. Although the Lapse Date has expired in each of the Jurisdictions, no sales, whatsoever, were made under the 1999 Prospectus after April 19, 2000.

8. The Pro-Forma Prospectus is required to be filed in accordance with National Instrument 81-101 Mutual Fund Prospectus Disclosure ("NI 81-101"), Form 81-101F1, Form 81-101F2 and Companion Policy 81-101CP, which collectively implement a new regulatory regime governing the required disclosure provided by mutual funds under securities legislation in Canada. NI 81-101 came into force on February 1, 2000.

9. The Applicant wishes to extend the time for filing a final Pro-Forma Prospectus and obtaining receipts for the Pro-Forma Prospectus to the time that would be applicable if the Lapse Date was June 30, 2000 so as to allow it to prepare for and comply with the requirements of NI 81-101.

10. There have been no material changes in the affairs of the Fund since the date of the 1999 Prospectus.

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

AND WHEREAS the Decision Makers are of the opinion that it would not be prejudicial to the public interest to make 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 the Decision Makers pursuant to the Legislation is that the time limits provided by the Legislation as they apply to the distribution of units of the Fund under the 1999 Prospectus are hereby extended to the time periods that would be applicable if the Lapse Date for the distribution of units of the Fund under the 1999 Prospectus was June 30, 2000.

May 8th, 2000.

"Rebecca Cowdery"

2.1.6 Fidelity Investments Canada Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the requirement to be registered to trade a security in connection with certain trades conducted by a mutual fund dealer in its capacity as a group plan administrator.

Applicable Ontario Statutory Provisions

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

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

AND

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

AND

IN THE MATTER OF
FIDELITY INVESTMENTS CANADA LIMITED

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Ontario, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from Fidelity Investments Canada Limited ("Fidelity") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that certain trades to be conducted by Fidelity in its capacity as a group plan administrator are not subject to the registration requirements in 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 Fidelity has represented to the Decision Makers that:

   3.1 Fidelity is registered in each of the Jurisdictions as a mutual fund dealer;

   3.2 FMC of Canada Limited ("FMC") is a corporation incorporated under the *Business Corporations Act* (Ontario);

   3.3 FMC Corporation ("FMCC") is a corporation incorporated pursuant to the laws of the State of Delaware and FMC is a wholly-owned indirect subsidiary of FMCC;

   3.4 Fidelity will be the administrator of the FMC of Canada Limited Non-Bargaining Employees' Retirement Plan (the "FMC Plan") as of March 1, 2000 which is made up of a Defined Contribution Pension Plan, a Spousal RRSP and an Employee Savings Plan;

   3.5 under the FMC Plan, employees of FMC, and the spouses of such employees in the case of the Spousal RRSP, will be able to invest in certain mutual funds managed by Fidelity and Common Stock of FMCC (the "Common Stock");

   3.6 there are persons resident in each of the Jurisdictions who are eligible to participate in the FMC Plan;

   3.7 participation in the FMC Plan will be voluntary and no participant will be induced to participate by expectation of employment or continued employment;

   3.8 FMCC is not a reporting issuer in any of the Jurisdictions. The Common Stock is registered with the Securities and Exchange Commission in the United States of America under the *Securities Exchange Act, 1934* and FMCC is not exempt from the reporting requirements of that act pursuant to Rule 12G 3-2 made thereunder;

   3.9 the Common Stock is listed and posted for trading on the New York Stock Exchange (the "Exchange");

   3.10 Fidelity will conduct the following activities under the FMC Plan:

      3.10.1 accept instructions from participants to buy or sell Common Stock;

      3.10.2 transmit orders to buy or sell Common Stock to dealers registered to trade in securities under the laws applicable to the jurisdiction where those trades are to be carried out;

      3.10.3 "cross" Common Stock by book entries on the accounts of participants to be maintained by Fidelity;

      3.10.4 keep records in respect of the foregoing transactions, including handling all payments, receipts, account entries and adjustments as a result of the trades;

   3.11 with the exception of "crosses" conducted by Fidelity, all purchases and sales of Common Stock under the FMC Plan will be made through the facilities of the Exchange or such other stock exchange where those shares may be listed from time to time;

   3.12 Common Stock purchased for the Defined Contribution Plan will vest in the participants after two years of employment or upon reaching

the age of 65. Common Stock purchased for the Spousal RRSP and Savings Plan will vest immediately. In all cases, the Common Stock will be held for participants in accounts maintained by Fidelity;

3.13 some of the trades described above are not exempt from the registration requirements of the Legislation in all of the Jurisdictions;

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 intended trades by Fidelity in Common Stock on behalf of participants under the FMC Plan are exempt from the registration requirements of the Legislation.

DATED at Edmonton, Alberta this 21st day of March, 2000.

"Ian E.W. McConnan", F.C.A., Member

"Thomas D. Shields", Member

2.1.7 Monogram Canadian Money Market Fund et al. - MRRS Decision

Headnote

MRRS Exemptive Relief Application-Extension of lapse date.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 62(5)

Rules Cited

National Policy 43-201 entitled: Mutual Reliance Review System for Prospectus and AIF's.
National Instrument 81-101 entitled: Mutual Fund Prospectus Disclosure.
National Instrument 81-102 entitled: Mutual Funds.

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

AND

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

AND

IN THE MATTER OF
MONOGRAM CANADIAN MONEY MARKET FUND, MONOGRAM CANADIAN FIXED INCOME FUND, MONOGRAM CANADIAN DIVIDEND FUND, MONOGRAM CANADIAN SPECIAL GROWTH FUND, MONOGRAM US EQUITY FUND, AND MONOGRAM INTERNATIONAL EQUITY FUND (collectively, the "Funds")

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (collectively, the "Jurisdictions") has received an application from The Trust Company of Bank of Montreal (the "Trust Company"), the trustee and manager of the Funds for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the time limits prescribed by the Legislation for the filing of a final simplified prospectus and annual information form (the "Renewal Prospectus") and for obtaining a final receipt for the Renewal Prospectus be extended to those time limits that would be applicable if the lapse date of the current prospectus relating to the offering of units of the Funds was June 30, 2000;

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

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

1. The Trust Company is the trustee and manager of the Funds.

2. Each of the Funds is a pooled investment fund established under the laws of Ontario by a declaration of trust.

3. Each of the Funds is a reporting issuer or the equivalent thereof within the meaning of the Legislation, and none of the Funds is in default of any of the requirements of the Legislation.

4. The units ("Units") of the Funds have been qualified for distribution in each of the Jurisdictions by a simplified prospectus and annual information form dated April 30, 1999 (the "Current Prospectus").

5. Pursuant to the Legislation, the lapse date for the distribution of Units under the Current Prospectus is April 30, 2000 in all Jurisdictions, with the exception of the provinces of Ontario, Québec and New Brunswick where the lapse date is May 6, 2000.

6. There have been no material changes in the affairs of the Funds since the date of the Current Prospectus. Accordingly, the Current Prospectus represents up to date information regarding the Funds.

7. In accordance with the requirements of the Legislation, a preliminary and proforma simplified prospectus and annual information form (the "Renewal Documents") for the Funds were filed in each of the Jurisdictions under National Policy 43-201 on March 30, 2000. The Renewal Documents also contain the preliminary simplified prospectus and annual information form relating to the proposed distribution of units of two new funds which are related to the Monogram Specialty Funds, the Monogram Canadian Bond Fund and the Monogram US Growth Fund.

8. The Renewal Documents were filed under National Instrument 81-101 Mutual Fund Prospectus Disclosure which has created new standards and requirements relating to the content, form and level of disclosure in such documents.

9. The OSC, on behalf of the Decision Makers, provided comments regarding the Renewal Documents to the Trust Company which will require the Trust Company to make substantial changes to the Renewal Documents to ensure compliance with NI 81-101 and the Forms.

10. Without an extension to the Funds lapse date, there may not be sufficient time for the Trust Company to properly address and resolve the comments raised by the OSC in respect of the Renewal Documents prior to the lapse date of the Current Prospectus.

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

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

The Decision of the Decision Makers, pursuant to the Legislation, is that the time limits provided by the Legislation as they apply to the distribution of Units under the Current Prospectus are hereby extended to the time periods that would be applicable if the lapse date for the distribution of Units pursuant to the Current Prospectus were June 30, 2000.

April 28th, 2000.

"Rebecca Cowdery"

2.1.8 Nortel Networks Corporation, New Nortel Inc. and BCE Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from requirement to file information required by s. 7.6 of Rule 45-501 with Commission prior to first trade.

Applicable Ontario Statutory Provisions

Statute Cited

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

Rule Cited

Rule 45-501 Exempt Distributions (1998) 21 O.S.C.B. 6548, s. 7.6.

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

AND

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

AND

IN THE MATTER OF
NORTEL NETWORKS CORPORATION

AND

IN THE MATTER OF
NEW NORTEL INC.

AND

IN THE MATTER OF
BCE INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland (the "Jurisdictions") (together with other local securities regulatory authorities or regulators) issued a decision (the "Previous Decision") dated April 25, 2000 under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), pursuant to the securities legislation (the "Legislation") in the Jurisdictions, in connection with an arrangement involving, among others, New Nortel Inc. ("New Nortel"), Nortel Networks Corporation ("Nortel Networks") and BCE Inc. ("BCE");

AND WHEREAS pursuant to the System, the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS capitalized terms used herein but not defined shall have the meanings ascribed thereto in the Previous Decision;

AND WHEREAS pursuant to the System, Nortel Networks, New Nortel and BCE Inc. have represented to the Decision Makers that:

1. The first trade in New Nortel Common Shares and BCE Common Shares issued under Trades 5, 10, 19 and 20 (the "Arrangement Trades") in a Jurisdiction, is subject to the satisfaction of certain conditions under the Legislation, including that disclosure be made to the Decision Maker in the Jurisdiction of the Arrangement Trades prior to the first trade (the "Disclosure Requirement").

2. Pursuant to the Legislation, New Nortel and BCE may satisfy the Disclosure Requirement by disclosing particulars of the date of the Arrangement Trades, the number of New Nortel Common Shares and BCE Common Shares issued and the purchase price paid or to be paid therefor in an information circular or letter filed with the Decision Makers prior to the first trade.

3. Prior to the Effective Date, the number of New Nortel Common Shares and BCE Common Shares issued pursuant to the Arrangement Trades will not be ascertainable by New Nortel and may not be ascertainable by BCE, respectively, with sufficient accuracy and/or in sufficient time and, accordingly, neither New Nortel nor BCE may be able to strictly comply with the Disclosure Requirement prior to the commencement of trading on the Effective Date.

4. Nortel Networks filed with the Decision Makers its Proxy Circular and Proxy Statement dated as of February 29, 2000 and BCE filed with the Decision Makers its Management Proxy Circular dated as of February 29, 2000, both circulars as amended by the Circular filed with the Decision Makers, which together contain disclosure as to the number of Nortel Networks Common Shares, BCE Common Shares and BCE Options outstanding as at February 29, 2000.

5. If the Previous Decision is not amended, the New Nortel Common Shares and BCE Common Shares issued pursuant to the Arrangement Trades may not be freely tradeable as at the Effective Date.

6. The number of New Nortel Common Shares and BCE Common Shares issued in connection with the Arrangement Trades will be disclosed to the Decision Makers, by New Nortel and BCE respectively, within 15 days after the Effective Date.

AND WHEREAS under the System this MRRS Decision Document evidences the decision of the Decision Makers (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;

IT IS HEREBY DECIDED by the Decision Makers pursuant to the Legislation that the Previous Decision be amended by adding the following Decision to the Previous Decision:

THE DECISION of the Decision Makers under the Legislation is that in connection with the first trade in the Jurisdictions in New Nortel Common Shares acquired pursuant to Trades 19 and 20 and BCE Common Shares acquired pursuant to Trades 5 and 10 and, for the purposes of the resale restrictions in respect thereof contained in the Legislation, the requirement that disclosure to the Decision Makers of Trades 5, 10, 19 and 20 has been made shall have been satisfied by filing the Management Proxy Circular of BCE dated as of February 29, 2000, the Proxy Circular and Proxy Statement of Nortel Networks dated as of February 29, 2000 and the Circular with the Decision Makers prior to such first trade.

April 26th, 2000.

"Howard I. Wetston" "J. F. Howard"

2.1.9 Nortel Networks Corporation, New Nortel Inc. and BCE Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from prospectus and registration requirements in respect of trades made pursuant to a statutory arrangement; relief from strict application of resale provisions requiring twelve month reporting issuer history - reporting issuer history of predecessor issuer considered in granting relief following plan of arrangement; relief granted to "successor issuer" as defined in the rule regarding the Prompt Offering Qualification System, from requirement to file an annual information form promptly after a reorganization; issuer granted relief from form and legislative requirements to allow issuer's short form prospectus and 2000 and 2001 financial statements to be prepared on the basis of combined results of the issuer and the predecessor issuer; Subsection 59(1) of Schedule 1 - issuers granted exemption from the payment of fees in respect of certain trades in securities pursuant to a statutory arrangement, where the issuers will not acquire new or additional capital from the public as a result of such trades, or where such trades would merely reorganize interests represented by currently outstanding securities.

Applicable Ontario Statutory Provisions

Statute Cited

Securities Act, R.S.O. 1990, c.S.5, as am. ss. 25, 53,74(1), 80(b).

Regulation Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 23(3)(b), 59(1) of Schedule 1.

Rules Cited

Rule 45-501 Exempt Distributions (1998) 21 O.S.C.B. 6548, 2.8

National Policies Cited

National Policy Statement No. 47, ss. 4.1(1)(b), 4.1(3)(a), 4.4(3), 4.5

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

AND

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

AND

IN THE MATTER OF
NORTEL NETWORKS CORPORATION

AND

IN THE MATTER OF
NEW NORTEL INC.

AND

IN THE MATTER OF
BCE INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Newfoundland and Prince Edward Island, and in the Northwest Territories, the Yukon Territory and the Territory of Nunavut (the "Jurisdictions") has received an application from Nortel Networks Corporation ("Nortel Networks"), New Nortel Inc. ("New Nortel") and BCE Inc. ("BCE") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

1. the registration and prospectus requirements contained in the Legislation shall not apply to certain intended trades in connection with an arrangement involving Nortel Networks and BCE which are not otherwise exempt from such requirements;

2. certain requirements contained in the Legislation relating to the first trades of securities shall not apply to first trades in New Nortel Common Shares (as defined below) acquired pursuant to the exercise of certain securities and pursuant to certain future trades;

3. New Nortel be granted a waiver from the provisions of clause 4.1(3)(a) of National Policy No. 47 ("NP 47"), as read in conjunction with subsection 4.4(3) of NP 47, so as to permit New Nortel to effect distributions of securities under the prompt offering qualification system established under NP 47 (the "POP System") without having to file an Initial AIF (as defined in NP 47);

4. BCE be granted a waiver from the provisions of subsection 4.4(3) of NP 47 insofar as it would require BCE to file an AIF promptly after the Effective Date as opposed to being able to use as a Current AIF the Renewal AIF filed on March 27, 2000;

5. New Nortel be permitted to modify certain form requirements applicable to short form prospectuses as set out in NP 47 on the basis described under "Short Form Prospectus" below;

6. New Nortel be permitted to file with the Decision Makers and deliver to its shareholders its interim and annual financial statements for 2000 and 2001 on the basis described below under "Fiscal 2000 Statements" and "Fiscal 2001 Statements"; and

7. New Nortel and BCE shall be exempt from the requirements contained in the Legislation to pay fees in Ontario associated with the Arrangement;

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

AND WHEREAS Nortel Networks, New Nortel and BCE have represented to the Decision Makers that:

NORTEL NETWORKS CORPORATION

1. Nortel Networks is a corporation incorporated under the *Canada Business Corporations Act* (the "CBCA"), is a reporting issuer (and has been for a period of at least twelve months) in each of the Jurisdictions in which such concept exists and, to the best of its knowledge, is not in default of any of the requirements of the Legislation. Nortel Networks is a leading supplier of data and telephony network solutions and services.

2. The authorized share capital of Nortel Networks consists of an unlimited number of common shares ("Nortel Networks Common Shares") and an unlimited number of Class A Preferred Shares ("Class A Preferred Shares") and Class B Preferred Shares issuable in series.

3. As at December 31, 1999, 1,377,154,698 Nortel Networks Common Shares were issued and outstanding. Nortel Networks also has three series of Class A Preferred Shares issued and outstanding, including 200 Cumulative Redeemable Class A Preferred Shares Series 4 (the "Nortel Networks Series 4 Shares"). The other two series of outstanding Class A Preferred Shares will not be affected by the Arrangement. Holders of the Nortel Networks Series 4 Shares also hold certain rights (the "Exchange Rights") which can, under certain circumstances, be exchanged (together with Nortel Networks Series 4 Shares) for Nortel Networks Common Shares.

4. Options ("Nortel Networks Options") to purchase Nortel Networks Common Shares are also outstanding, such options having been granted under various stock option plans and option agreements (the "Nortel Networks Option Plans").

5. Nortel Networks currently maintains a stock dividend reinvestment and stock purchase plan (the "DRIP") which permits Nortel Networks Common Shareholders who choose to participate in the DRIP to purchase additional Nortel Networks Common Shares.

6. Nortel Networks intends to adopt a new stock option plan (the "2000 Stock Option Plan"), subject to the approval of its Board of Directors, the Toronto Stock Exchange and the Nortel Networks Common Shareholders at the Special Meeting (the Nortel Networks Option Plans, the DRIP and the 2000 Stock Option Plan, collectively, the "Nortel Networks Plans").

7. Nortel Networks is currently eligible to participate in the POP System pursuant to the eligibility criteria set forth therein which permit issuers which meet specified market capitalization thresholds and certain other criteria to utilize the POP System. Nortel Networks must file a Renewal AIF no later than May 20, 2000, in order to remain eligible to participate in the POP System. Nortel Networks filed a Renewal AIF (in the form of an annual report on Form 10-K (as amended by a Form 10-K/A) as provided in section 5.4 of NP 47 and in the Legislation) on March 27, 2000, which incorporates by reference the Circular (as defined below).

8. The Nortel Networks Common Shares are listed and posted for trading on the Toronto and New York stock exchanges. The Nortel Networks Series 4 Shares are listed and posted for trading on the Canadian Venture Exchange.

BCE INC.

9. BCE is a corporation incorporated under the CBCA, is a reporting issuer in each of the Jurisdictions in which such concept exists and, to the best of its knowledge, is not in default of any of the requirements of the Legislation. BCE is the largest communications company in Canada.

10. The authorized share capital of BCE consists of an unlimited number of common shares (the "BCE Common Shares") and an unlimited number of first preferred shares (the "BCE First Preferred Shares") and second preferred shares issuable in series.

11. As at December 31, 1999, 643,804,984 BCE Common Shares were issued and outstanding. Six series of BCE First Preferred Shares were also issued and outstanding as at such date.

12. As at December 31, 1999, options (the "BCE Options") to acquire 5,767,012 BCE Common Shares were outstanding, such options having been granted under two employee stock option plans of BCE.

13. The BCE Common Shares are listed and posted for trading on the Toronto, New York, London and Switzerland stock exchanges.

14. BCE is currently eligible to participate in the POP System pursuant to the eligibility criteria set forth therein which permit issuers which meet specified market capitalization thresholds and certain other criteria to use the POP System. BCE must file a Renewal AIF no later than May 20, 2000, in order to remain eligible to participate in the POP System. BCE filed its Renewal AIF on March 27, 2000.

15. 3056074 Canada Inc. ("Stockco") is a corporation incorporated under the CBCA and a wholly-owned subsidiary of BCE.

16. The issued and outstanding capital of Stockco consists of 106,782,251.46 common shares (the "Stockco Common Shares").

17. 3263207 Canada Inc. ("3263207") is a corporation incorporated under the CBCA and a wholly-owned subsidiary of BCE.

18. As at December 31, 1999, BCE owned, directly and indirectly, an aggregate of 539,854,492 Nortel Networks Common Shares, representing approximately 39.2% of the outstanding Nortel Networks Common Shares, of which 529,854,492 Nortel Networks Common Shares are owned directly by BCE, 3,000,000 Nortel Networks Common Shares are owned indirectly through Stockco and 7,000,000 Nortel Networks Common Shares are owned indirectly through 3263207.

THE ARRANGEMENT

19. BCE, Stockco, 3263207, Nortel Networks and New Nortel entered into an agreement dated as of January 26, 2000, as amended and restated March 13, 2000, providing, among other things, for substantially all of the Nortel Networks Common Shares owned directly and indirectly by BCE to be distributed indirectly to the holders of BCE Common Shares (the "BCE Common Shareholders") on a tax-deferred basis in Canada by way of a plan of arrangement under the CBCA (the "Arrangement").

20. Prior to the Arrangement, a number of steps will occur or have occurred, including the following:

    20.1 New Nortel was incorporated under the CBCA. The authorized share capital of New Nortel consists of an unlimited number of common shares (the "New Nortel Common Shares") and one or more classes of preferred shares.

    20.2 A wholly-owned subsidiary ("New Nortel Subco") of New Nortel was incorporated under the CBCA.

    20.3 The Nortel Networks Common Shares owned by 3263207 will be transferred to Stockco ("Trade 1") in exchange for preferred shares of Stockco ("Stockco Preferred Shares") ("Trade 2").

    20.4 The Nortel Networks Common Shares owned directly by BCE will be transferred to Stockco ("Trade 3") in exchange for, among other things, common shares of Stockco and the right to exercise any forfeited Stockco Options (as defined below) or any forfeited New Nortel BCE Options (as defined below) exchanged therefor ("Trade 4").

21. Under the terms of the Arrangement, the following steps will occur:

    21.1 BCE and 3263207 will amalgamate (the "BCE/3263207 Amalgamation") under the CBCA and continue as one corporation (also referred to as "BCE"). Pursuant to the terms of the BCE/3263207 Amalgamation, BCE Common Shareholders (other than such shareholders who properly exercise their rights to dissent under the CBCA) will receive: (i) one BCE Common Share

for each BCE Common Share held prior to the BCE/3263207 Amalgamation; and (ii) a number of Class B shares of BCE (the "BCE Class B Shares") (together, "Trade 5"). The BCE Class B Shares will be convertible into BCE Common Shares on a one-for-one basis. Preferred shareholders of BCE will receive the same number of BCE preferred shares as BCE First Preferred Shares held prior to the BCE/3263207 Amalgamation, with the same terms and conditions attaching thereto ("Trade 6").

21.2 The BCE Common Shares will be listed on the Toronto and New York stock exchanges.

21.3 At the time of the BCE/3263207 Amalgamation, each holder of BCE Options will receive, in exchange for each BCE Option held: (i) a new BCE option (the "BCE Replacement Options") to purchase one BCE Common Share ("Trade 7"); and (ii) an option (the "Stockco Options") to purchase approximately 0.78 of a Stockco Common Share (subject to adjustment on the effective date of the Arrangement (the "Effective Date"))("Trade 8").

21.4 Holders of BCE Class B Shares will transfer such shares to New Nortel ("Trade 9") in exchange for a fraction of a New Nortel Common Share (to be agreed upon prior to the Effective Date for each BCE Class B Share transferred ("Trade 10").

21.5 BCE will transfer most of the Stockco Common Shares held by BCE to New Nortel Subco ("Trade 11") as consideration for the issuance by New Nortel of New Nortel Subco Common Shares ("Trade 12").

21.6 New Nortel Subco will then purchase for cancellation the New Nortel Subco Common Shares held by BCE ("Trade 13") in consideration for the issuance by New Nortel Subco of a non-interest bearing demand note (the "New Nortel Subco Redemption Note") ("Trade 14").

21.7 BCE will purchase for cancellation the BCE Class B Shares held by New Nortel ("Trade 15") in consideration for the issuance by BCE to New Nortel of a non-interest bearing demand note (the "BCE Redemption Note") ("Trade 16").

21.8 New Nortel Subco will be wound up and as a result will distribute all of its assets to, and all of its liabilities will be assumed by, New Nortel, including all of the Stockco Common Shares held by New Nortel Subco ("Trade 17") and its obligations under the New Nortel Subco Redemption Note.

21.9 The New Nortel Subco Redemption Note and the BCE Redemption Note will be set off against each other and cancelled.

21.10 New Nortel will acquire all of the Nortel Networks Common Shares from the Nortel Networks Common Shareholders in exchange for New Nortel Common Shares on a one-for-one basis ("Trade 18").

21.11 New Nortel and Stockco will amalgamate (the "New Nortel/Stockco Amalgamation") and continue as one corporation under the CBCA (also "New Nortel") and (i) all of the shares of Stockco held by New Nortel immediately prior to the New Nortel/Stockco Amalgamation will be cancelled; (ii) BCE will receive New Nortel Common Shares ("Trade 19") (representing approximately 2% of the outstanding New Nortel Common Shares) in exchange for Stockco Common Shares and Stockco Preferred Shares; and (iii) holders of New Nortel Common Shares (the "New Nortel Common Shareholders") will receive New Nortel Common Shares ("Trade 20") in exchange for the Nortel Networks Common Shares previously held by them on a one-for-one basis.

21.12 At the time of the New Nortel/Stockco Amalgamation, the Stockco Options will be cancelled and holders thereof will receive, in exchange for each Stockco Option held, an option (the "New Nortel BCE Option") ("Trade 21") to acquire approximately 0.78 of a New Nortel Common Share ("Trade 22").

21.13 The Class A Preferred Shares of Nortel Networks will remain outstanding and the rights and obligations of Nortel Networks under the Exchange Rights will be amended to provide that, if the Exchange Rights become exercisable, holders thereof will be entitled to acquire New Nortel Common Shares from Nortel Networks ("Trade 23") on the basis of the same ratio as currently determined under the Exchange Rights, subject to the right of Nortel Networks to redeem all of the Nortel Networks Series 4 Shares ("Trade 24"). New Nortel will agree with Nortel Networks to deliver New Nortel Common Shares upon the exercise of the Exchange Rights ("Trade 25"). Nortel Networks will agree to issue to New Nortel the number of Nortel Networks Common Shares ("Trade 26") having a value equal to the value of the New Nortel Common Shares delivered pursuant to the exercise of the Exchange Rights.

21.14 Each Nortel Networks Option outstanding on the Effective Date will be assumed by New Nortel and deemed to constitute an option (the "New Nortel Options") ("Trade 27") to acquire, on the same terms and conditions of the Nortel Networks Option, the same number of New Nortel Common Shares ("Trade 28") as were issuable pursuant to the exercise of the Nortel Networks Option immediately prior to the assumption.

21.15 New Nortel will assume the Nortel Networks Plans (the "New Nortel Plans") which will permit participants to acquire New Nortel Common Shares either directly under the New Nortel Plans or through the exercise of options granted thereunder ("Trade 29").

21.16 Any fractional New Nortel Common Shares receivable by BCE Common Shareholders pursuant to the above will be aggregated and issued to a third party trustee on behalf of the BCE Common Shareholders. The trustee will sell all of the New Nortel Common Shares so received for cash proceeds in the open market ("Trade 30") and remit to each BCE Common Shareholder the holder's pro rata share of such proceeds.

21.17 Any undertaking by Nortel Networks, or an affiliate of Nortel Networks, that is outstanding on the Effective Date and that requires Nortel Networks, or an affiliate of Nortel Networks to deliver or sell Nortel Networks Common Shares or to deliver a benefit based on the value or market trading price of a Nortel Networks Common Share, at any time on or after the Effective Date will become an undertaking to deliver or sell New Nortel Common Shares ("Trade 31") (the "Entitlements"), or to deliver a benefit based on the value or market trading price of a New Nortel Common Share, on a share-for-share basis.

21.18 The issued and outstanding New Nortel Common Shares will be subdivided on a two-for-one basis.

22. It is possible that New Nortel will be a party to transactions after the Effective Date involving the issuance of New Nortel Common Shares pursuant to registration and prospectus exemptions contained in the Legislation ("Future Acquisition Trades"), which New Nortel Common Shares could subsequently be traded by the holders thereof within the twelve-month period following the Effective Date.

23. It is intended that registration and prospectus exemptions contained in the Legislation will be relied upon to effect Trades 1 through 31 or that those trades will not be subject to such requirements.

24. The fees required to be paid under the Legislation in connection with the Arrangement by New Nortel and BCE, respectively, assuming that all Nortel Networks Common Shareholders other than BCE, Stockco and 3263207 (the "Nortel Networks Public Shareholders") and all BCE Common Shareholders are resident in Ontario will be approximately $28,886,857 and $21,470,896 (based upon the closing price of the Nortel Networks Common Shares and the BCE Common Shares on the Toronto Stock Exchange on March 2, 2000).

25. On the Effective Date, New Nortel will own all of the Nortel Networks Common Shares and such shares will be the sole assets of New Nortel on such date. As a result, on the Effective Date, the assets, liabilities and operations of New Nortel, on a consolidated basis, will be, in all material respects, the same as the assets, liabilities and operations of Nortel Networks as it will be constituted immediately prior to the Effective Date.

26. On the Effective Date, New Nortel will become a reporting issuer in each of the Jurisdictions where such concept exists, other than Nova Scotia and Newfoundland.

27. The New Nortel Common Shares will be listed and posted for trading on the Toronto and New York stock exchanges.

28. The Nortel Networks Series 4 Shares will continue to trade on the Canadian Venture Exchange.

29. As a Successor Issuer (as defined in NP 47) under NP 47, New Nortel may distribute securities under the POP System if it satisfies certain requirements, including the filing of an annual information form for the first time (an "Initial AIF") in the Jurisdictions promptly after the Arrangement.

30. The Arrangement is subject to shareholder and regulatory approvals and receipt of appropriate tax rulings and requires the final approval of the Superior Court of Justice of Ontario.

31. A special committee of the board of directors of Nortel Networks received a fairness opinion from its financial advisors that the Arrangement is fair from a financial point of view for the Nortel Networks Public Shareholders. The special committee concluded that the Arrangement is fair to the Nortel Networks Public Shareholders and in the best interests of Nortel Networks.

32. The BCE Common Shareholders and the Nortel Networks Common Shareholders will be asked to approve the Arrangement at separate special meetings (the "Special Meetings") to be held on April 26, 2000 and April 27, 2000, respectively.

33. In connection with the Special Meetings, a joint management proxy circular (the "Circular") prepared in conformity with the provisions of the Legislation and the CBCA and containing prospectus level disclosure regarding the particulars of the Arrangement has been forwarded to the BCE Common Shareholders and the Nortel Networks Common Shareholders.

34. BCE Common Shareholders and Nortel Networks Common Shareholders who do not vote in favour of the Arrangement will be entitled to exercise their right to dissent and seek to be paid the fair value of their shares.

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

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

THE DECISION of the Decision Makers under NP 47 and the Legislation is that the requirements of subsection 4.1(3)(a) of NP 47, as read in conjunction with subsection 4.4(3) of NP 47, are waived so that New Nortel may participate in and make distributions under the POP System without first having to file an Initial AIF, in reliance upon the Current AIF of Nortel Networks filed on March 27, 2000 under section 5.2 of NP 47, until the earlier of May 20, 2001 and the date that New Nortel files a Renewal AIF in respect of its 2000 financial year; and

THE DECISION of the Decision Makers under NP 47 and the Legislation is that New Nortel be permitted to:

Short Form Prospectus

1. incorporate by reference in any short form prospectus filed by New Nortel prior to the approval by the directors of New Nortel of its financial statements for the year ended December 31, 2000:

   (a) the audited financial statements relating to Nortel Networks for the year ended December 31, 1999, giving effect to reclassifications, if any, to make such financial statements consistent with the presentation of New Nortel's financial statements, together with the report of the auditor thereon;

   (b) the interim financial statements of Nortel Networks for the three-month periods ended March 31, 2000 and March 31, 1999, and, if applicable, the interim financial statements of Nortel Networks for the six-month period ended June 30, 1999 and the interim financial statements of Nortel Networks for the nine-month period ended September 30, 1999, giving effect to reclassifications, if any, to make such financial statements consistent with the presentation of New Nortel's financial statements; and

   (c) any material change reports and annual filings filed by Nortel Networks from January 1, 2000 to April 30, 2000, including the Circular;

2. calculate the coverage ratios required by the form of short form prospectus specified in NP 47 (the "Prospectus Form"), to the extent that the calculation would include information from periods pre-dating the Effective Date, on the basis of the combined results of the operations of Nortel Networks during such periods;

3. include in any short form prospectus of New Nortel, in lieu of information in respect of New Nortel, the description of the business, financial information and management's discussion and analysis of financial condition and results of operation in respect of Nortel Networks for periods pre-dating the Effective Date to the extent that such information would otherwise be required by the Prospectus Form in respect of New Nortel; and

THE DECISION of the Decision Makers under NP 47 and the Legislation is that BCE be permitted to participate in and make distributions under the POP System without first having to file an Initial AIF, in reliance upon the Current AIF of BCE filed March 27, 2000 under section 5.2 of NP 47, until the earlier of May 20, 2001 and the date that BCE files a Renewal AIF in respect of its 2000 financial year.

April 25, 2000.

"Margo Paul"

THE DECISION of the Decision Makers under the Legislation is that the prospectus and registration requirements contained in the Legislation shall not apply to Trades 1 through 31 to the extent that there are no registration or prospectus exemptions available in the Legislation for such trades.

THE DECISION of the Decision Makers under the Legislation is that the first trade in New Nortel Common Shares acquired pursuant to the exercise of New Nortel Options, New Nortel BCE Options, the Exchange Rights or the Entitlements, or under the New Nortel Plans is a distribution under the Legislation unless:

(a) at the time of the first trade, New Nortel is a reporting issuer in the Jurisdiction where the trade occurs, or is exempt from such requirement pursuant to a ruling;

(b) if the seller effecting the first trade is in a special relationship with New Nortel, the person or company has reasonable grounds to believe that New Nortel is not in default under the Legislation of the Jurisdiction where the trade occurs;

(c) disclosure to the Decision Makers has been made of the issuance of New Nortel Common Shares acquired under the New Nortel Plans or pursuant to the exercise of New Nortel Options, New Nortel BCE Options, the Exchange Rights or the Entitlements, and provided further that it shall be sufficient for the purposes of this subparagraph (c) if such disclosure in respect of New Nortel Common Shares issued upon the exercise of New Nortel BCE Options is made contemporaneously with the disclosure made by New Nortel in connection with the issuance of New Nortel Common Shares upon the exercise of New Nortel Options;

(d) no unusual effort has been made to prepare the market or to create a demand for the New Nortel Common Shares and no extraordinary commission or consideration has been paid in respect of the trade; and

(e) the trade is not a distribution from the holdings of a person or company or a combination of persons or companies holding a sufficient number of any securities of New Nortel so as to affect materially the control of New Nortel or more than 20% of the outstanding voting securities of New Nortel except where there is evidence showing that the holding of those securities does not affect materially the control of New Nortel;

provided that the first trades of shares acquired upon the exercise of Entitlements shall also be subject to the hold periods, if any, that would have applied pursuant to the Legislation to Nortel Networks Common Shares acquired pursuant to the exercise of the Entitlements if the Entitlements had been exercised prior to the Effective Date.

THE DECISION of the Decision Makers under the Legislation is that the first trade in New Nortel Common Shares acquired pursuant to Future Acquisition Trades occurring within twelve months after the Effective Date, where such first trade would otherwise be a distribution under the Legislation but for the satisfaction of certain conditions, including that, at the time of the first trade, New Nortel has been a reporting issuer for twelve months, shall be a distribution under the Legislation unless:

(a) at the time of the first trade, New Nortel is a reporting issuer in the Jurisdiction where the trade occurs, or is exempt from such requirement pursuant to a ruling;

(b) if the seller effecting the first trade is in a special relationship with New Nortel, the person or company has reasonable grounds to believe that New Nortel is not in default under the Legislation of the Jurisdiction where the trade occurs;

(c) disclosure to the Decision Makers has been made of the issuance of the New Nortel Common Shares acquired pursuant to the exempt trade;

(d) no unusual effort has been made to prepare the market or to create a demand for the New Nortel Common Shares and no extraordinary commission or consideration has been paid in respect of the trade; and

(e) the trade is not a distribution from the holdings of a person or company or a combination of persons or companies holding a sufficient number of any securities of New Nortel so as to affect materially the control of New Nortel or more than 20% of the outstanding voting securities of New Nortel except where there is evidence showing that the holding of those securities does not affect materially the control of New Nortel;

provided that the first trades of shares acquired pursuant to Future Acquisition Trades shall also be subject to the hold periods, if any, that would have applied pursuant to the Legislation to Nortel Networks Common Shares acquired pursuant to the Future Acquisition Trades if such trades had been effected prior to the Effective Date.

THE DECISION of the Decision Makers under the Legislation is that New Nortel be permitted to:

Fiscal 2000 Statements

(a) prepare interim financial statements for the six-month period ended June 30, 2000 based on four months of Nortel Networks' results (January 1 to April 30) and two months of New Nortel's results (May 1 to June 30) which will be compared to Nortel Network's results for the comparable period in 1999, giving effect to reclassifications, if any, to make such results consistent with the presentation of New Nortel's results;

(b) prepare interim financial statements for the nine-month period ended September 30, 2000 based on four months of Nortel Networks' results (January 1 to April 30) and five months of New Nortel's results (May 1 to September 30) which will be compared to Nortel Network's results for the comparable period in 1999, giving effect to reclassifications, if any, to make such results consistent with the presentation of New Nortel's results; and

(c) prepare audited financial statements for the year ended December 31, 2000 based on four months of Nortel Networks' results (January 1 to April 30) and eight months of New Nortel's results (May 1 to December 31) which will be compared to Nortel Network's results for the year ended 1999, giving effect to reclassifications, if any, to make such results consistent with the presentation of New Nortel's results;

Fiscal 2001 Statements

(d) prepare interim financial statements for the three-month period ended March 31, 2001 based on a comparison of New Nortel's actual results to Nortel Networks' results for the comparable period in 2000, giving effect to reclassifications, if any, to make such results consistent with the presentation of New Nortel's results;

(e) prepare interim financial statements for the six-month period ended June 30, 2001 based on a comparison of New Nortel's actual results to the combined financial statements for the six-month period ended June 30, 2000, as described above in clause (a) under "Fiscal 2000 Statements";

(f) prepare interim financial statements for the nine-month period ended September 30, 2001 based on a comparison of New Nortel's actual results to the combined financial statements for the nine-month period ended September 30, 2000, as described above in clause (b) under "Fiscal 2000 Statements"; and

(g) prepare audited 2001 year-end financial statements based on a comparison of New Nortel's actual results to the combined annual financial statements for the year ended December 31, 2000, as described above in clause (c) under "Fiscal 2000 Statements";

provided that the basis of presentation note to the financial statements includes an explanation in the cases where the financial statements of Nortel Networks and New Nortel are combined; and

THE DECISION of the Decision Makers in Ontario under the Legislation is that New Nortel and BCE are exempt from the requirements contained in the Legislation to pay the fees payable in Ontario in respect of the trades made in securities in connection with the Arrangement.

April 25th, 2000.

"Robert W. Korthals" "Howard I. Wetston"

2.1.10 Westport Innovations Inc. - MRRS Decision

Headnote

Prompt Offering Qualifying System - waiver granted from the eligibility requirements under National Policy Statement No. 47 to permit non-reporting issuer to file initial annual information form - "public float test" to be met on a date within sixty days of filing preliminary short form prospectus.

Applicable Ontario Provisions

National Policy Statement No. 47, sections 4.1(1)(c), 4.1(2)(b)(i) and 4.5

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

AND

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

AND

IN THE MATTER OF WESTPORT INNOVATIONS INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from Westport Innovations Inc. (the "Filer") for a decision under the securities legislation and securities directions of the Jurisdictions (the "Legislation") that the requirement (the "Eligibility Requirement"), under National Policy Statement No. 47 and under the applicable securities legislation of Québec (collectively, the "POP Requirements"), that the calculation of the aggregate market value of an issuer's outstanding equity securities be based upon the average closing prices during the last calendar month of the issuer's most recently completed financial year shall not apply to the Filer so as to permit the Filer to participate in the prompt offering qualification system (the "POP System");

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

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

1. the Filer was incorporated on March 20, 1995 pursuant to the *Business Corporations Act* (Alberta);
2. the principal business office of the Filer is in British Columbia; the registered office of the Filer is in Alberta;
3. the Filer became a reporting issuer, or the equivalent thereof, in the Province of Alberta on August 10, 1995, in the provinces of British Columbia and Ontario on May 15, 1997, in the provinces of Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland on June 26, 1998 and in the Province of Québec on June 25, 1999; to the best of its knowledge, the Filer is not in default under the Legislation in any of the provinces of Canada;
4. the Filer's financial year-end is March 31;
5. the common shares of the Filer are listed and posted for trading on The Toronto Stock Exchange (the "TSE");
6. as at March 31, 1999 (being the Filer's most recent financial year end), the Filer had 27,005,906 common shares issued and outstanding;
7. as at March 31, 1999, the aggregate market value of the Filer's common shares was approximately $55,667,000 (based on an arithmetic average of the closing trading prices for the month of March, 1999 of $2.06, as calculated in accordance with the POP Requirements);
8. the Filer completed a private placement of 4,683,854 special warrants on May 12, 1999 resulting in the issue of an additional 4,683,854 common shares of the Filer; the Filer filed and received final receipts in June, 1999 from each of the Decision Makers for a prospectus in respect of the distribution of such common shares;
9. since June 30, 1999, the aggregate market value of the Filer's common shares has been consistently higher than $75,000,000;
10. as at December 31, 1999, the Filer had 32,369,559 common shares issued and outstanding and the aggregate market value of the Filer's common shares was approximately $143,736,000 for the month of December, 1999 as calculated in accordance with the POP Requirements;
11. the Filer currently would fulfill the POP Requirements that would enable it to file an initial annual information form (the "Initial AIF") and participate in the POP System but for the fact the aggregate market value of its common shares for the month of March, 1999 was less than $75,000,000;
12. the Filer would be eligible to participate in the POP System upon the filing and acceptance of its Initial AIF under Proposed National Instrument 44-101 which would replace the current time period for calculating the aggregate market value of an issuer's equity securities under the POP Requirements for its Initial AIF with a calculation as of a date within sixty (60) days of filing the issuer's preliminary short form prospectus; and
13. the Filer intends to file an Initial AIF shortly and may wish to effect an offering prior to the end of its current

financial year and is of the view that a short form prospectus would be the most appropriate vehicle for such an offering;

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

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

The Decision of the Decision Makers under the Legislation is that the Eligibility Requirement shall not apply to the Filer provided that:

(a) the Filer complies in all other respects with the POP Requirements;

(b) the aggregate market value of the outstanding common shares of the Filer, calculated in accordance with the POP Requirements on a date within sixty (60) days before the date of the filing of the Filer's preliminary short form prospectus is $75,000,000;

(c) the eligibility certificate required to be filed in respect of the Filer's Initial AIF may state that the Filer satisfies the Eligibility Requirement in accordance with this Decision; and

(d) this Decision terminates on the earlier of:

(i) 140 days after the end of the Filer's financial year ended March 31, 2000; and

(ii) the date a renewal AIF is filed by the Filer in respect of its financial year ended March 31, 2000.

February 10th, 2000.

"Margaret Sheehy"

2.1.11 Wind River Systems, Inc. and AudeSi Technologies Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief granted, subject to certain conditions, from the registration and prospectus requirements in respect of trades in connection with an exchangeable share amalgamation transaction where the registration and prospectus exemptions are not available for technical reasons - First trade relief for trades in shares executed over an exchange outside of Canada in accordance with all laws and rules applicable to such exchange.

Applicable Ontario Statutory Provisions

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

Rules Cited

OSC Rule 45-501 "Exempt Distributions", s. 2.8.

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

AND

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

AND

IN THE MATTER OF WIND RIVER SYSTEMS, INC. AND AUDESI TECHNOLOGIES INC.

MRRS DECISION DOCUMENT

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Ontario and Nova Scotia (the "Jurisdictions") has received an application from Wind River Systems, Inc. ("Wind River") and AudeSi Technologies Inc. ("AudeSi") (collectively, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security and to file a preliminary prospectus and a prospectus and receive receipts therefor prior to distributing a security (the "Registration and Prospectus Requirements") shall not apply to certain trades of securities in connection with the proposed amalgamation of AudeSi with certain holding companies of its principal shareholders (and the simultaneous reorganization of the capital structure of AudeSi) and the acquisition by an indirect wholly-owned subsidiary of Wind River of certain securities of AudeSi (the "Transaction");

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 Filer has represented to the Decision Makers that:

3.1 Wind River was incorporated in the State of California in February 1983 and reincorporated in the State of Delaware in 1993. Wind River is subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended, and is not a "reporting issuer" in any province or territory of Canada and does not intend to become a reporting issuer under the Legislation;

3.2 Wind River's authorized capital consists of 125,000,000 shares of common stock, $.001 par value (the "Wind River Common Shares") and 2,000,000 shares of preferred stock, $.001 par value. As of December 23, 1999, there were 42,214,854 Wind River Common Shares and no preferred shares issued and outstanding;

3.3 the Wind River Common Shares trade on the NASDAQ National Market;

3.4 AudeSi is a "private company" within the meaning of that term under the Legislation, is not and will not become a reporting issuer or the equivalent under the Legislation by virtue of the Transaction and does not intend to become a reporting issuer under the Legislation. AudeSi's head office is located at 180, 6815-8th Street, N.E., Calgary, Alberta, T2E 7H7;

3.5 AudeSi's authorized capital currently consists of an unlimited number of common shares (the "AudeSi Common Shares") and an unlimited number of preferred shares issuable in series. There are currently 8,481,722 AudeSi Common Shares, no preferred share series A shares (the "AudeSi Series A Preferred Shares") and 1,839,750 preferred share series B shares (the "AudeSi Series B Preferred Shares") issued and outstanding. There are currently outstanding options to purchase up to 1,270,461 AudeSi Common Shares (the "AudeSi Options");

3.6 the directors, officers, employees and ex-employees of AudeSi and their associates comprise 13 of the 20 shareholders of AudeSi and collectively hold 32.2% of the issued and outstanding AudeSi Common Shares and 51.1% of the issued and outstanding AudeSi Series B Preferred Shares;

3.7 pursuant to an agreement and plan of reorganization (the "Acquisition Agreement") dated as of March 10, 2000 between Wind River, WRC Technology, Inc., a wholly-owned U.S. subsidiary of Wind River ("U.S. Sub"), Wind River Nova Scotia Company, a wholly-owned Canadian subsidiary of U.S. Sub ("Canadian Sub"), AudeSi and shareholders of AudeSi holding sufficient shares to authorize the amalgamation referred to below, the acquisition of AudeSi by Wind River is intended to occur in a sequence of transactions that effectively converts all of AudeSi's existing outstanding securities into Exchangeable Shares which will be exchangeable for Wind River Common Shares;

3.8 pursuant to the Acquisition Agreement, all of the previously outstanding warrants of AudeSi were exercised and converted into AudeSi Series A Preferred Shares and AudeSi Series B Preferred Shares in accordance with their terms. The holders of all of the outstanding AudeSi Series A Preferred Shares and certain of the outstanding AudeSi Series B Preferred Shares have converted such shares into AudeSi Common Shares in accordance with their terms;

3.9 pursuant to the Acquisition Agreement and prior to the closing of the Transaction (the "Closing Date"), special resolutions will be passed authorizing the filing of articles of amalgamation (the "Articles of Amalgamation") to effect the amalgamation of AudeSi with four holding companies (the "Holdcos") owned by the four founding principals of AudeSi and parties related to them (and which own no material assets other than shares of AudeSi) (the "Amalgamation") (the Corporation resulting from the Amalgamation being referred to as "Amalco");

3.10 the Articles of Amalgamation will provide that the shares of AudeSi will be reorganized upon the Amalgamation so that:

3.10.1 two new classes of common shares designated as Class A Common Shares (the "Amalco Class A Common Shares") and Class B Common Shares (the "Amalco Class B Common Shares") are created;

3.10.2 a new class of shares designated as "exchangeable shares" (the "Exchangeable Shares") is created;

3.10.3 the former holders of AudeSi Common Shares (including AudeSi Common Shares held by the former shareholders of the Holdcos as a consequence of the Amalgamation) are exchanged for Amalco Class B Common Shares (which shares will, pursuant to their terms, automatically be recapitalized into Exchangeable Shares on the basis of the Exchange Ratio (as such term is defined in the Acquisition Agreement) at such time as there are fewer than a specified number of Amalco Class B Common Shares outstanding); and

3.10.4 the former holders of AudeSi Series B Preferred Shares will receive, in respect of each AudeSi Series B Preferred Share previously held, one Amalco Series B Preferred Share which will in many respects have the same attributes as the AudeSi Series B Preferred Shares and will be convertible on the basis of the Exchange Ratio into Exchangeable Shares on the terms established in the Acquisition Agreement;

3.11 immediately following the Amalgamation, certain holders of Amalco Class B Common Shares will sell their Amalco Class B Common Shares to Amalco (or otherwise exchange such shares with Amalco) for Exchangeable Shares on the basis of the Exchange Ratio;

3.12 Canadian Sub will then subscribe for Amalco Class A Common Shares and will become the only holder of Amalco Class A Common Shares;

3.13 all holders of Amalco Series B Preferred Shares will enter into an agreement with Canadian Sub, Amalco and Wind River in connection with certain rights that such holders have in respect of such Amalco Series B Preferred Shares;

3.14 the holders of all AudeSi Options (which will become obligations of Amalco) outstanding on the Closing Date (including AudeSi Options held by outside directors of AudeSi) will, subject to their consent, enter into agreements with Wind River such that the AudeSi Options will be cancelled and an option to acquire Wind River Common Shares (the "Wind River Options") will be granted based on the Exchange Ratio, and the strike price for each Wind River Option will be equal to the current strike price divided by the Exchange Ratio (after giving effect to currency conversions);

3.15 each Exchangeable Share, together with the Exchange Agreement and Support Agreement described below, will provide holders thereof with a security of a Canadian issuer having economic attributes which are substantially equivalent, in all material respects, to those of a Wind River Common Share. Exchangeable Shares will be received by holders of Amalco Class B Common Shares on a Canadian tax-deferred, roll-over basis. The Exchangeable Shares will be exchangeable by a holder thereof for Wind River Common Shares on a share-for-share basis (subject to certain adjustments) at any time at the option of such holder and will be required to be exchanged upon the occurrence of certain events, as more fully described below. Dividends will be payable on the Exchangeable Shares contemporaneously and in the equivalent amount per share as dividends on the Wind River Common Shares;

3.16 the Exchangeable Shares will rank prior to the Amalco Class A Common Shares and the Amalco Class B Common Shares, but will rank on a parity with the Amalco Series B Preferred Shares, in respect of the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Amalco. The Exchangeable Share Provisions will provide that each Exchangeable Share will entitle the holder to dividends from Amalco payable at the same time as, and economically equivalent to, each dividend paid by Wind River on Wind River Common Shares. Subject to the overriding call right of Canadian Sub referred to below, on the liquidation, dissolution or winding-up of Amalco, a holder of Exchangeable Shares will be entitled to receive from Amalco for each Exchangeable Share held an amount equal to the then current market price of a Wind River Common Share, to be satisfied by delivery of one Wind River Common Share (subject to adjustment), together with, on the designated payment date therefor and to the extent not already paid by Amalco on a dividend payment date, all declared and unpaid dividends on each such Exchangeable Share (such aggregate amount, the "Liquidation Amount"). Upon a proposed liquidation, dissolution or winding-up of Amalco, Canadian Sub will have an overriding call right (the "Liquidation Call Right") to purchase all of the outstanding Exchangeable Shares from the holders thereof (other than Wind River or its affiliates) for a price per share equal to the Liquidation Amount;

3.17 the Exchangeable Shares will be non-voting (except as required by applicable law) and will be retractable at the option of the holder at any time. Subject to the overriding call right of Canadian Sub referred to below, upon retraction the holder will be entitled to receive from Amalco for each Exchangeable Share retracted an amount equal to the then current market price of a Wind River Common Share, to be satisfied by delivery of one Wind River Common Share (subject to adjustment), together with, on the designated payment date therefor and to the extent not already paid by Amalco on a dividend payment date, all declared and unpaid dividends on each such retracted Exchangeable Share (such aggregate amount, the "Retraction Price"). Upon being notified by Amalco of a proposed retraction of Exchangeable Shares, Canadian Sub will have an overriding call right (the "Retraction Call Right") to purchase from the holder all of the Exchangeable Shares that are the subject of the retraction notice for a price per share equal to the Retraction Price;

3.18 subject to the overriding call right of Canadian Sub referred to below in this paragraph, Amalco shall redeem all the Exchangeable Shares then outstanding on the date which is five years from the Closing Date (the "Automatic Redemption Date"). The board of directors of Amalco may

accelerate the Automatic Redemption Date in certain circumstances, as described in the Exchangeable Share Provisions, including if there are fewer than 100,000 Exchangeable Shares outstanding (other than Exchangeable Shares held by Wind River and its affiliates, and as such number of shares may be adjusted as deemed appropriate by the board of directors to give effect to any subdivision or consolidation of or stock dividend on the Exchangeable Shares, any issue or distribution of rights to acquire Exchangeable Shares or securities exchangeable for or convertible into Exchangeable Shares, any issue or distribution of other securities or rights or evidences of indebtedness or assets, or any other capital reorganization or other transaction affecting the Exchangeable Shares). Upon such redemption, a holder will be entitled to receive from Amalco for each Exchangeable Share redeemed, an amount equal to the then current market price of a Wind River Common Share on the last business day prior to the Automatic Redemption Date, to be satisfied by the delivery of one Wind River Common Share (subject to adjustment), together with, to the extent not already paid by Amalco on a dividend payment date, all declared and unpaid dividends on each such redeemed Exchangeable Share (such aggregate amount, the "Redemption Price"). Upon being notified by Amalco, of a proposed redemption of Exchangeable Shares, Canadian Sub will have an overriding call right (the "Redemption Call Right") to purchase from the holders all of the outstanding Exchangeable Shares (other than Wind River or its affiliates) for a price per share equal to the Redemption Price;

3.19 upon the liquidation, dissolution or winding-up of Wind River, the Exchangeable Shares will be automatically exchanged for Wind River Common Shares pursuant to the Exchange Agreement (described below), in order that holders of Exchangeable Shares may participate in the dissolution of Wind River on the same basis as holders of Wind River Common Shares. Upon the insolvency of Amalco, holders of Exchangeable Shares may put their shares to Wind River in exchange for Wind River Common Shares, pursuant to the Exchange Right described in greater detail below;

3.20 the Exchangeable Shares are non-transferrable. In the event that, on or prior to the Automatic Redemption Date, any holder of Exchangeable Shares notifies Amalco that such holder desires to transfer or otherwise attempts to transfer any such shares to any other person or entity (any such notification or attempt, a "Transfer Attempt"), then such holder shall, by such action, be deemed to have made a Retraction Request and the sole right of the transferee in respect of such shares shall be to receive the Wind River Common Shares and dividends to which such person is entitled as a result of the Retraction Request;

3.21 contemporaneously with the closing of the Transaction, Wind River, Amalco and the holders of the Exchangeable Shares will enter into an exchange agreement (the "Exchange Agreement"). Under the Exchange Agreement, Wind River will grant to the holders of the Exchangeable Shares a put right (the "Exchange Right"), exercisable upon the insolvency of Amalco, to require Wind River to purchase from a holder of Exchangeable Shares all or any part of its Exchangeable Shares. The purchase price for each Exchangeable Share purchased by Wind River will be an amount equal to the then current market price of a Wind River Common Share, to be satisfied by the delivery to the holder, of one Wind River Common Share (subject to adjustment), together with an additional amount equivalent to the full amount of all declared and unpaid dividends on such Exchangeable Share;

3.22 under the Exchange Agreement, upon the liquidation, dissolution or winding-up of Wind River, Wind River will be required to purchase each outstanding Exchangeable Share, and each holder will be required to sell all of its Exchangeable Shares (such purchase and sale obligations are hereafter referred to as the "Automatic Exchange Right"), for a purchase price per share equal to the then current market price of a Wind River Common Share, to be satisfied by the delivery to the holder of one Wind River Common Share (subject to adjustment), together with an additional amount equivalent to the full amount of all declared and unpaid dividends on each such Exchangeable Share;

3.23 contemporaneously with the closing of the Transaction, Wind River, Amalco and Canadian Sub will enter into a Support Agreement which will provide that Wind River will not declare or pay any dividend on the Wind River Common Shares unless Amalco simultaneously declares and pays an economically equivalent dividend on the Exchangeable Shares and that Wind River will ensure that Amalco and Canadian Sub will be able to honour the redemption and retraction rights and dissolution entitlements that are attributes of the Exchangeable Shares under the Exchangeable Share Provisions and the related redemption, retraction and liquidation call rights described above. The holders of Exchangeable Shares may also become parties to the Support Agreement;

3.24 the Support Agreement will also provide that if Wind River makes any changes to the Wind River Common Shares (e.g., subdivision, consolidation or reclassification), then the Exchangeable Shares are automatically adjusted such that the holders of such Exchangeable Shares will receive, upon exercise of their Exchangeable Shares, the same number of Wind River Common Shares and other consideration that they would have received had they exchanged their Exchangeable Shares

immediately prior to the effective date or record date of such event;

3.25 on March 22, 2000 a notice of a special meeting (the "Meeting") of the shareholders of AudeSi (the "Shareholders") was sent to the Shareholders. The Meeting was scheduled for April 13, 2000. As all of the Shareholders consented to the Transaction by way of written resolution, the Meeting was not held. Accompanying the Notice was a management information circular (the "Circular") which included, among other things, a description of the Transaction, a description of each Shareholder's dissent rights and electronic or paper copies of:

3.25.1 the Acquisition Agreement;

3.25.2 the Amalgamation Agreement;

3.25.3 the Amalco share provisions;

3.25.4 the Support Agreement; and

3.25.5 the Exchange Agreement. Also incorporated by reference in the Circular was certain publicly disclosed information in respect of Wind River including certain financial information contained in Wind River's "10-Q" filing with the United States Securities and Exchange Commission (the "SEC") on December 14, 1999 and Wind River's "10-K" filed with the SEC for the fiscal year ended January 31, 1999;

3.26 the steps under the Transaction and the exercise of certain rights provided for in the Exchangeable Share Provisions, the Exchange Agreement and the Support Agreement involve or may involve a number of trades of securities (the "Trades");

3.27 the fundamental investment decision made by the Shareholders was made at the time when such holder consented to the Transaction by executing the Acquisition Agreement and/or voted in favour of the special resolution approving the Amalgamation. As a result of this decision, a holder receives Exchangeable Shares in exchange for its Amalco Class B Common Shares. As the Exchangeable Shares will provide certain Canadian tax benefits to certain Canadian holders but will otherwise be the economic equivalent in all material respects to the Wind River Common Shares, all subsequent exchanges of Exchangeable Shares are in furtherance of the holder's initial investment decision to acquire Exchangeable Shares on the closing of the Transaction;

3.28 if not for income tax considerations, Canadian holders of Amalco Class B Common Shares could have received Wind River Common Shares without receiving Exchangeable Shares. The receipt of Exchangeable Shares under the Transaction will enable certain holders of Amalco Class B Common Shares to defer Canadian income tax;

3.29 upon completion of the Transaction, in each of the Jurisdictions, Canadian shareholders will hold less than 10% of the issued and outstanding Wind River Common Shares and will represent in number less than 10% of the total number of holders of Wind River Common Shares;

3.30 there is currently no market in Canada for the Wind River Common Shares and none is expected to develop; and

3.31 all disclosure material furnished to the holders of Wind River Common Shares in the United States will be provided to the holders of Exchangeable Shares;

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:

6.1 the Registration and Prospectus Requirements shall not apply to the Trades; and

6.2 the first trade in Wind River Common Shares acquired under the Transaction shall be a distribution under the Legislation unless such trade is executed through the facilities of a stock exchange, including the NASDAQ National Market, outside of Canada in accordance with all laws and rules applicable to the stock exchange.

DATED at Calgary, Alberta on April 27th, 2000.

"John W. Cranston" "Thomas D. Shields"

2.2 Orders

2.2.1 Barep Asset Management S.A.. - ss 38(1), Commodity Futures Act (Ontario)

Headnote

Subsection 38(1) of the Commodity Futures Act (Ontario) - relief from the requirements of subsection 22(1)(b) of the CFA, for a period of three years, in respect of advising certain mutual funds in respect of trades in commodity futures contracts traded on commodity futures exchanges outside Canada and cleared through clearing corporations outside Canada subject to certain terms and conditions.

Statutes Cited

Commodity Futures Act, R.S.O. 1990. c. C20., as am., ss. 22(1)(b), 38(1).
Securities Act R.S.O. 1990, c.S.5 as am., ss. 53 and 62.

IN THE MATTER OF THE *COMMODITY FUTURES ACT*, R.S.O. 1990, CHAPTER C.20, AS AMENDED (the "Act")

AND

IN THE MATTER OF BAREP ASSET MANAGEMENT S.A.

ORDER
(Subsection 38(1) of the Act)

UPON the application of Barep Asset Management S.A. ("Barep") to the Ontario Securities Commission (the "Commission") for an order pursuant to subsection 38(1) of the Act that Barep and its directors and officers are exempt, for a period of three years, from the requirements of paragraph 22(1)(b) of the Act in respect of advising certain mutual funds in respect of trades in commodity futures contracts traded on commodity futures exchanges outside Canada and cleared through clearing corporations outside Canada subject to certain terms and conditions;

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

AND UPON Barep having represented to the Commission that:

1. Barep is a corporation formed under the laws of France and is an indirect wholly-owned subsidiary of Société Générale S.A., a French commercial and investment banking institution.

2. Barep is registered with the French Commission des Operations de Bourse. Barep is also registered with the U.S. Commodities Futures Trading Commission (the "**CFTC**") as a commodity trading adviser and is a member of the U.S. National Futures Association (the "**NFA**").

3. Barep is not registered in any capacity under the Act.

4. Barep is the Investment Advisor for Epsilon (the "**Trust**"), an open-ended umbrella trust established under the *Unit Trusts Act*, 1990 (Ireland). The Trust is made up of sub-funds (the "**Funds**"), each of which constitutes a separate trust.

5. Each of the Funds issues units which represent an undivided share in the assets of such Fund. The units of the Funds ("Units") are offered primarily abroad.

6. The Funds invest in futures and options contracts traded on organized exchanges outside of Canada and cleared through clearing corporations located outside of Canada and other derivative instruments traded over the counter and may, to a lesser extent, invest in securities.

7. Each of the Trust and the Funds is not, and has no current intention of becoming, a reporting issuer in Ontario or in any other Canadian jurisdiction.

8. Units of the Funds are being offered primarily outside of Canada to institutional investors and high net worth individuals. It is anticipated that Units will be offered to a small number of Ontario residents (expected to be institutional investors or high net worth individuals) and that Units distributed in Ontario will be distributed through registrants (as defined under the *Securities Act*) that are not associates or affiliates of a principal distributor or manager of the applicable Fund and in reliance upon an exemption from the requirements of Sections 53 and 62 of the *Securities Act*.

9. Prospective investors who are Ontario residents will receive disclosure that includes (a) a statement that there may be difficulty in enforcing legal rights against any of Barep, the trustee or manager of the Trust or the Funds because they are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and (b) a statement that Barep is not registered with or licensed by any securities regulatory authority in Canada and accordingly, the protections available to clients of a registered adviser will not be available to purchasers of units of a Fund.

AND UPON being satisfied that it would not be prejudicial to public interest for the Commission to grant the exemptions requested on the basis of the terms and conditions proposed,

IT IS ORDERED pursuant to subsection 38(1) that Barep and its directors and officers are not subject to the requirements of paragraph 22(1)(b) of the Act in respect of their advisory activities in connection with the Funds for a period of three years, provided that, at the time such activities are engaged in:

(a) Barep is registered with CFTC as a commodity trading adviser and is a member of the NFA;

(b) the Funds are invested in futures and options contracts traded on organized exchanges outside of Canada and cleared through clearing corporations located outside of Canada, in other derivative instruments traded over the counter and, to a lesser extent, in securities;

(c) units of the Funds are offered primarily outside of Canada and are only distributed in Ontario through registrants (as defined under the *Securities Act*) that

are not associates or affiliates of a principal distributor or manager of the applicable Fund and in reliance upon an exemption from the requirements of Sections 53 and 62 of the *Securities Act*; and

(d) prospective investors who are Ontario residents receive disclosure that includes (a) a statement that there may be difficulty in enforcing legal rights against any of Barep, the trustee or the manager of the Trust or the Funds because they are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and (b) a statement that Barep is not registered with or licensed by any securities regulatory authority in Canada and accordingly, the protections available to clients of a registered adviser will not be available to purchasers of units of a Fund.

May 5th, 2000.

"J. A. Geller" "Morley P. Carscallen"

2.2.2 International Larder Minerals Inc. - s. 144

Headnote

Section 144 - Partial revocation of cease trade order to permit trades in connection with a reorganization

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 127, 144, Part XVIII.

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

AND

IN THE MATTER OF INTERNATIONAL LARDER MINERALS INC.

ORDER (Section 144)

WHEREAS the securities of International Larder Minerals Inc. ("Larder") are subject to a temporary order (the "Temporary Order") of a Manager, Corporate Finance dated June 24, 1999 and extended by an order (the "Extension Order", collectively the Temporary Order and the Extension Order, the "Cease Trade Order") of a Manager, Corporate Finance dated July 8, 1999 made under section 127 of the Act directing that trading in the securities of Larder cease;

AND WHEREAS Larder has made application for a partial revocation of the Cease Trade Order to permit the shareholders of Larder to tender their shares to Prospectors Alliance Corporation ("Prospectors") in connection with a proposed reorganization (the "Reorganization") which will involve the amalgamation of Larder and Explorers Alliance Corporation ("Explorers") and to permit the acquisition by 1338756 Ontario Inc. ("1338756") of $1,950,000, principal amount of Larder's outstanding secured convertible debentures in return for shares of 1338756.

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

AND UPON Larder having represented to the Commission as follows:

1. Larder was incorporated under the laws of the Province of Ontario by articles of amalgamation dated April 11, 1986.

2. Larder is a reporting issuer under the Act and has been a reporting issuer under the Act since September 15, 1979, the date of proclamation in force of a predecessor to the Act.

3. Larder is a natural resource exploration and development company.

4. The authorized capital of Larder consists of an unlimited number of common shares of which 44,477,306 common shares are issued and outstanding. In addition, as at December 31, 1999,

Larder had $2,960,390 principal amount of secured convertible debentures outstanding (the "Larder Debentures").

5. The Cease Trade Order was issued as a result of the failure by Larder to file with the Commission within the prescribed time audited financial statements for the year ended December 31, 1998 and interim statements for the three-month period ended March 31, 1999.

6. Audited financial statements for the year ended December 31, 1998 and unaudited interim financial statements for the three, six and nine month periods, as the case may be, during 1999 (collectively, the "Financial Statements"), were not filed in a timely manner with the Commission or sent to the shareholders of Larder because Larder did not have the funds necessary to prepare and mail such financial statements or interim statements.

7. Audited financial statements for the years ended December 31, 1998 and 1999 have now been filed with the Commission.

8. The Reorganization will result in the combination of the business and undertakings of Larder, Prospectors, Explorers, 1232448 Ontario Inc. and 1338756. The tendering of Larder shares (the "Share Transaction") to Prospectors on the amalgamation of Larder and Explorers and the transfer (the "Debenture Transaction") of $1,950,000 principal amount of the Larder Debentures to 1338756 are essential steps in the Reorganization.

9. A special meeting (the "Meeting") of the shareholders of Larder was called for April 27, 2000 for the purpose of, among other things, seeking shareholder approval of the Reorganization.

10. In connection with the Meeting, audited financial statements of Larder for the years ended December 31, 1999, 1998 and 1997 were mailed to the shareholders of Larder, together with a management information circular dated March 13, 2000 and two supplements which contain prospectus type disclosure concerning Larder, Prospectors, Explorers and certain other participants in the Reorganization.

11. Larder requires a partial revocation of the Cease Trade Order to permit the Share Transaction and the Debenture Transaction.

12. Larder is not in default of any of the requirements of the Act or the rules or the regulation made thereunder, other than as a result of its failure to file the Financial Statements.

AND UPON the Commission being satisfied that there is adequate disclosure on the public record in connection with Larder, its business and affairs;

AND UPON the Commission being of the opinion that to do so would not be prejudicial to the public interest;

IT IS ORDERED, pursuant to section 144 of the Act, that the Cease Trade Order be and is hereby partially revoked solely to permit the Share Transaction and the Debenture Transaction in connection with the Reorganization.

May 1st, 2000.

"Heidi Franken"

2.2.3 M. R. S. Trust Company - s. 147

Headnote

Section 147 - Exemption from the capital requirements imposed on advisers pursuant to subsection 107(3) of the Regulation made under the Act subject to meeting the liquidity and capital requirements for trust corporations established by the Loan and Trust Corporations Act (Ontario) or the Trust and Loan Companies Act (Canada).

Statutes Cited

Securities Act R.S.O. 1990, c. S.5, as am., section 147.

Loan and Trust Corporations Act R.S.O. 1990, Chapter L.25, as am.

Trust and Loan Companies Act S.C. 1991 c.45, as am.

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 107(3) .

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

AND

IN THE MATTER OF M.R.S. TRUST COMPANY

ORDER (Section 147 of the Act)

UPON the application of M.R.S. Trust Company ("M.R.S. Trust") to the Ontario Securities Commission (the "Commission") pursuant to section 147 of the *Securities Act* (Ontario) (the "Act") for an order that M.R.S. Trust be exempt from the capital requirement set out in subsection 107(3) of the Regulation made under the Act (the "Regulation"), provided it meets the liquidity and capital requirements for trust corporations established by the *Loan and Trust Corporations Act* (Ontario) (the "LTA") or the *Trust and Loan Companies Act* (Canada) (the "TLA") (collectively, the "Trust Legislation");

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

AND UPON it being represented to the Commission that:

1. M.R.S. Trust has filed an application with the Commission to be registered as an adviser in the categories of investment counsel and portfolio manager, and therefore must comply with the subsection 107(3) of the Regulation.

2. M.R.S. Trust is currently registered as a trust corporation under the LTA.

3. Section 107 of the Regulation creates minimum capital requirements for various categories of registrants. These are based on a working capital concept.

4. Minimum capital requirements are intended to ensure that registrants maintain a minimum level of liquidity and solvency in their business.

5. The financial statements of M.R.S. Trust must be prepared in accordance with generally accepted accounting principles ("GAAP") and the provisions of the LTA and the regulations thereto, audited by its auditors and filed with the Superintendent of Financial Services (the "Superintendent") which administers the LTA.

6. M.R.S. Trust is also required under the LTA to file monthly and annual returns with the Superintendent and to comply with the specific liquidity and borrowing restrictions requirements contained in the LTA. These address concerns with respect to the liquidity and solvency of trust companies registered under that statute similar to those addressed by subsection 107(3) of the Regulation. The TLA imposes comparable requirements to ensure the liquidity and solvency of trust companies governed under that legislation.

7. As a trust company, M.R.S. Trust can accept deposits from the public. Under the LTA, M.R.S. Trust must at all times maintain unencumbered liquid assets in an amount equal to 20% of the total of its deposits which mature within 100 days or less.

8. Under the LTA, M.R.S. Trust is also subject to restrictions on its borrowing capacity expressed as a regulatory approved multiple of its regulatory capital.

9. Financial institutions, including M.R.S. Trust, do not generally separate assets and liabilities between current and long-term because this is not considered to be meaningful disclosure. This is consistent with GAAP and is referenced in section 1510.09 of the Canadian Institute of Chartered Accountants Handbook.

10. M.R.S. Trust may in the future become subject to the TLA rather than the LTA;

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

IT IS HEREBY ORDERED, pursuant to section 147 of the Act, that M.R.S. Trust be exempt from the requirements set out under subsection 107(3) of the Regulation provided that:

1. M.R.S. Trust maintains its status as a registered trust company in good standing under Trust Legislation;

2. M.R.S. Trust remains in compliance with all applicable capital and liquidity requirements established pursuant to the applicable Trust Legislation;

3. M.R.S. Trust shall not have custody of any of the assets in respect of which it provides investment counsel or portfolio management services requiring registration under the Act;

4. M.R.S. Trust shall immediately notify the Manager of Compliance of the Commission if:

(a) M.R.S. Trust fails to comply with any applicable capital and liquidity requirements established pursuant to the applicable Trust Legislation; or

(b) the Superintendent, as defined under the Trust Legislation, or the Canadian Deposit Insurance Corporation ("CDIC"):

(i) commences any proceedings, investigation or action (other than routine inspections); or

(ii) makes any order, or imposes any terms or conditions,

concerning the capital and liquidity requirements of M.R.S. Trust;

5. M.R.S. Trust adopts written policies and procedures to minimize conflicts of interest which may arise if a client receiving investment advisory or portfolio management services receives any other services from M.R.S. Trust; and

6. When a client receiving, or to receive, investment advisory or portfolio management services from M.R.S. Trust receives or is to receive services from M.R.S. Trust which are other than investment advisory or portfolio management services, M.R.S. Trust shall:

(a) disclose to such client in writing, before providing any advice to the client, the details of the relationship(s) and the policies and procedures adopted to minimize the potential for conflict of interest arising from the relationship(s); and

(b) when there is a material change to the details of the relationship(s) or the policies and procedures adopted by M.R.S. Trust, immediately disclose to such clients the details of the changes; and

7. The relief provided in this Order shall expire three years from the date of this Order.

May 9th, 2000.

"J. A. Geller" "Howard I. Wetston

2.3 Rulings

2.3.1 CSI, Incorporated and Choice Seat (Canada) Inc. - ss. 74(1)

Headnote

Subsection 74(1) - relief granted from the prospectus and registration requirements in connection with trades in common shares of U.S. private issuer and trades in exchangeable shares of non-reporting Canadian issuer, upon exercise of various rights attached to the exchangeable shares - first trade relief granted in respect of trades in the underlying common shares received upon the exercise of rights attaching to the exchangeable shares.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 53, 72(4) and 74(1).

Rules Cited

Rule 45-501 - Exempt Distributions.
Rule 72-501 - Prospectus Exemption for First Trade Over a Market Outside Ontario.

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

AND

IN THE MATTER OF CSI, INCORPORATED AND CHOICE SEAT (CANADA) INC.

RULING (Subsection 74(1) of the Act)

UPON the application of CSI, Incorporated ("CSI") and Choice Seat (Canada) Inc. (the "Purchaser") to the Ontario Securities Commission (the "Commission") for a ruling pursuant to subsection 74(1) of the Act that:

(a) certain trades in common shares of CSI (the "CSI Common Shares") to be issued to five individuals (the "Vendors") resident in Ontario upon the exchange, retraction or redemption of special shares of the Purchaser (the "Special Shares") are not subject to the requirements of sections 25 and 53 of the Act; and

(b) the first trades in CSI Common Shares acquired by the Vendors are not subject to the requirements of section 53 of the Act, subject to certain terms and conditions.

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

AND UPON CSI having represented to the Commission that:

1. CSI is a corporation organized and existing under the laws of the State of Delaware and has its head office in Tulsa, Oklahoma.

2. The CSI Common Shares are not registered under the United States *Securities Act of 1933* (the "1933 Act") and are not listed on any stock exchange in the United States or elsewhere.

3. CSI is a private company for purposes of the 1933 Act but is not a private company as defined in the Act. CSI is not a reporting issuer under the Act. CSI is not a registrant under the United States *Securities Exchange Act of 1934* (the "1934 Act").

4. The authorized capital of CSI consists of 50,000,000 CSI Common Shares and 6,580,112 shares of Series A Preferred Stock, of which there are 5,572,333 CSI Common Shares and 4,219,961 shares of Series A Preferred Stock outstanding. CSI is owned approximately 85% by Williams Communications Group, Inc. ("Williams") and approximately 15% by Intel Corporation ("Intel"). None of the CSI Common Shares are held directly or indirectly by persons resident in Ontario. If all the Special Shares were exchanged into CSI Common Shares, then, as at April 13, 2000, they would have constituted 6.8% of the total issued and outstanding shares of CSI.

5. CSI will, upon becoming subject to the reporting requirements of the 1934 Act, file in Ontario and mail to those holders of Special Shares and CSI Common Shares who are resident in Ontario the same documents which CSI is required to file and deliver to its securityholders resident in the United States.

6. The Purchaser was incorporated under the *Business Corporations Act* (Ontario) for the sole purpose of acquiring from the Vendors all of the Vendors' interests in the intellectual and industrial property (collectively, the "Purchased Assets") necessary or incidental to the design and manufacture of ergonomic seats with integrated, interactive, multi-media systems for use in row seating (the "Smart Seat Design").

7. The Vendors developed the Smart Seat Design. The Purchaser acquired the Purchased Assets from the Vendors for approximately US$2,500,000 (the "Purchase Price"). The Purchase Price was satisfied by the allotment and issue by the Purchaser to the Vendors of an aggregate 833,334 Special Shares.

8. The Purchaser is a private company as defined in the Act. The Purchaser is not now, and has no intention of becoming, a reporting issuer under the Act. The authorized capital of the Purchaser consists of an unlimited number of common shares (the "Common Shares") and an unlimited number of Special Shares. The Purchaser's issued capital consists of an unlimited number of Common Shares, all of which are owned by CSI, and 833,334 Special Shares, all of which have been issued to the Vendors in consideration for the Purchased Assets on January 13, 2000 (the "Closing Date").

9. The Special Shares are non-voting and rank ahead of the Common Shares with respect to any dividends or other distributions of assets. The Special Shares are exchangeable into CSI Common Shares in the circumstances described in paragraph 11 below, entitle the Vendors to receive dividends equivalent to any

dividends declared by CSI in respect of the CSI Common Shares and have the benefit of a support agreement dated as of December 9, 1999 (the "Support Agreement") between CSI and the Purchaser. A Special Share also entitles the holder thereof to require the Purchaser to redeem the Special Share at a price of $1.50 per share, plus any accrued and unpaid dividends, if CSI has not completed an initial public offering of the CSI Common Shares by the third anniversary of the Closing Date (the "IPO Retraction Right").

10. By virtue of the attributes of the Special Shares and the rights established for the benefit of the Vendors pursuant to the Support Agreement, an investment in the Special Shares is, in effect, an investment in CSI Common Shares, except that the Special Shares have no voting rights in respect of CSI. Because the Special Shares are issued by a Canadian corporation, Canadian-resident Vendors can receive their consideration for the Purchased Assets on a tax-deferred roll-over basis for purposes of the *Income Tax Act* (Canada). The Special Shares are designed to give the Vendors an indirect equity interest in CSI on a tax-deferred roll-over basis.

11. As a result of the provisions of the Special Shares and the terms of the Support Agreement, the following trades (collectively, the "Trades") either have taken place or may take place in connection with the Acquisition and no registration or prospectus exemptions are available under the Act in respect of some of the Trades:

    (a) the issue of the Special Shares by the Purchaser to the Vendors in consideration for the Purchased Assets on the Closing Date;

    (b) the creation and grant by CSI to the Purchaser and the Vendors of certain rights, including exchange rights, as set out in the Support Agreement and as contemplated in the share conditions attaching to the Special Shares;

    (c) the issuance by CSI of CSI Common Shares to the Purchaser and the transfer of CSI Common Shares by the Purchaser to a Vendor in connection with the retraction of Special Shares at the request of the Vendor, where the trade is satisfied by the Purchaser;

    (d) the issuance by CSI of CSI Common Shares to a Vendor in connection with the retraction of the Special Shares at the request of the Vendor, where the trade is satisfied by CSI directly;

    (e) the issuance by CSI and the delivery by the Purchaser of CSI Common Shares to all Vendors upon the liquidation, dissolution or winding up of the Purchaser;

    (f) the issuance and delivery by CSI of CSI Common Shares to all Vendors upon the liquidation, dissolution or winding up of the Purchaser; and

    (g) the retraction of Special Shares by a Vendor on exercise of the IPO Retraction Right.

12. There is no market, and none is expected to develop, for CSI Common Shares in the province of Ontario. CSI does not intend to become a reporting issuer in Ontario.

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, to the extent that there are no statutory exemptions available from the prospectus and registration requirements of the Act in respect of any of the Trades, such Trades are not subject to section 25 or 53 of the Act, provided that:

1. CSI or the Purchaser shall provide each recipient or proposed recipient of Special Shares or CSI Common Shares resident in Ontario with an explanation of the limitations imposed upon the disposition of such securities; and

2. the first trade in CSI Common Shares acquired pursuant to this Ruling or upon the exchange or retraction of the Special Shares shall be a distribution unless:

    a) such first trade is made in accordance with the provisions of subsections 72(4) of the Act and 2.18(3) of Ontario Securities Commission Rule 45-501 *Exempt Distributions* as if the CSI Common Shares had been acquired pursuant to one of the prospectus exemptions referred to therein; or

    b) such first trade is made in accordance with Ontario Securities Commission Rule 72-501 *Prospectus Exemption for First Trade Over a Market Outside Ontario* ("Rule 72-501") as if the CSI Common Shares were a restricted security as defined in Rule 72-501, except for the requirement in subsection 2.1(b) of Rule 72-501, provided that Ontario residents holding CSI Common Shares do not hold economic interests in more than 10 percent of the outstanding CSI Common Shares and do not represent in number more than 10 percent of the total number of holders of CSI Common Shares at the time the first trade is made.

May 2nd, 2000.

"J.A. Geller" "Morley P. Carscallen"

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Reasons

3.1.1 Mikael Prydz

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

AND

IN THE MATTER OF
MIKAEL PRYDZ

Hearing:	**April 13, 2000**		
Panel:	**John A. Geller, QC**	-	**Vice-Chair**
	John F. Howard, QC	-	**Commissioner**
	M. Theresa McLeod	-	**Commissioner**
Counsel:	**Melanie Sopinka**	-	**For the Staff of the Ontario Securities Commission**
	Mikael Prydz	-	**In person**

DECISION AND REASONS

Previous Proceedings

Mr. Prydz was the respondent in previous proceedings before the Commission. Those proceedings were settled pursuant to a settlement agreement (the "Settlement Agreement") dated January 31, 2000. In the Settlement Agreement, Mr. Prydz acknowledged that he had sold securities to investors which, in the circumstances, could only be sold pursuant to a prospectus, and that no such prospectus had been filed with the Commission as required by the Securities Act (the "Act"). He also acknowledged that, in order to sell such securities to those investors, he was required to be registered with the Commission pursuant to the Act, and that, for a portion of the relevant time, he was not so registered. Further, he acknowledged that the business venture pursued by one of the issuers whose securities had been sold by him had failed, that all of the invested money had been lost, and that he had falsely represented to investors to whom he had sold the securities that the issuer was still viable when he knew that the money invested in the issuer had been lost.

In the Settlement Agreement, Mr. Prydz agreed, *inter alia*, that if the Settlement Agreement was approved by the Commission, he would not make any statement that was inconsistent with the Settlement Agreement.

The Settlement Agreement was approved an order of the Commission (the "Order") dated February 8, 2000. The Order recited, *inter alia*, that:

a) Mr. Prydz had undertaken that he would never re-apply to the Commission for registration in any capacity;

b) Mr. Prydz had undertaken to send a letter to investors, to be approved by staff of the Commission ("Staff"), within 10 days of the date of the Order; and

c) Mr. Prydz had undertaken to remove within ten days of the date of the Order all language from the website of his then current employer which referred to his involvement in the investment industry.

In the Order, the Commission, in addition to approving the Settlement Agreement, ordered that:

1. pursuant to clause 127(1) 2 of the Act, Mr. Prydz was prohibited from trading in securities for a period of five years from February 8, 2000; and

2. pursuant to clause 127(1) 6 of the Act, Mr. Prydz was reprimanded.

Letters to Investors

Following the making of the Order, Mr. Prydz submitted to Staff lists of the investors to whom he said that he had sold the investments in question. He also submitted to Staff a draft of a letter (the "Draft Letter") to be written by him, and mailed by Staff, to those investors.

Staff revised the Draft Letter to delete certain statements to which it objected, and forwarded to Mr. Prydz copies of the revision for signature by him and returned to Staff, for mailing by Staff to the investors in question. In its covering letter Staff urged Mr. Prydz to carefully compare the names of the investors to whom the revised letters were addressed with Mr. Prydz's investor lists and advise Staff immediately if there were any names missing. Mr. Prydz signed the letters which he had received from Staff, and returned them to Staff. He did not advise Staff of the names of any additional investors to whom the letter should be sent. The letters signed by Mr. Prydz were sent by Staff to the investors to whom they were addressed.

Mr. Prydz sent another letter, dated February 28, 2000, (the "Second Letter") to investors, including three investors whose names he had not supplied to Staff and to whom, accordingly, the original letter was not being sent. In the Second Letter, Mr. Prydz stated, *inter alia*, the following.

a) That he had been told that funds were now in the escrow attorney's account ready to be disbursed to Richard Halinda (the trustee acting on behalf of the investors) that, once the negotiations had been finalized, funds should be wired to Mr. Halinda's account and, at that time, Mr. Halinda would make all necessary preparations to have funds returned to all investors. Statements to a similar effect had been contained in the draft letter submitted by Mr. Prydz to Staff, and Staff had required the deletion of those statements. In our view, this statement contradicted the statement in the Settlement Agreement with respect to the loss of the money invested in one of the issuers involved.

b) That it was the position of the Commission that shares had not been issued "in accordance to their guidelines" and that, although Mr. Prydz did have a limited market registration when initial funds were being raised, he later gave that up as he was working solely on the project and had a "mandated contract" to do so. In our view, this statement gives the false impression that although the Commission took the position that Mr. Prydz had not complied with the Act, he did not agree with that position, and thus contradicted the statements in the Settlement Agreement in which Mr. Prydz acknowledged that he had not complied with the Act.

c) That "the OSC wishes me to send a letter to all the investors so that they are aware of all this. So along with this letter, you will also receive an other (sic) letter from me in the near future which will contain the OSC verbage (sic)".

In our view, the statements in a) and b) above breached Mr. Prydz's undertaking in the Settlement Agreement that he would not make any statement inconsistent with the Settlement Agreement. In addition, for Mr. Prydz to have sent the Second Letter at all was inconsistent with his obligations under the Settlement Agreement, and evidenced, at the very least, a lack of appreciation by him of the importance of his complying with, and fulfilling, his obligations under, the Settlement Agreement, and, more probably, a lack of concern on his part as to whether or not he did comply. The statement in c) above is, in our view, especially offensive. It is clear from this language that it was Mr. Prydz's intention that the Second Letter be received by investors before the letter which he had agreed in the Settlement Agreement to write. The language in the second letter was, in or view, a clear invitation to investors to ignore the letter which he had agreed to write in order that they would be informed of what had really happened.

Mr. Prydz's failure to supply the names of some investors to Staff evidenced, in our view, a similar lack of concern about complying with Mr. Prydz's obligations to the Commission, undertaken by him in the Settlement Agreement.

Website

On March 10, 2000 Staff wrote to Mr. Prydz reminding him of his undertaking in the Settlement Agreement to remove language from the website of his employer which referred to his involvement in the investment industry and advising him that Staff had discovered that the offending language remained on the website. On March 18, 2000, the material remained on the website. At some point after March 18, 2000, Mr. Prydz ceased to be employed by the company involved, and the language was removed from the website.

Arguments of the Parties

Ms. Sopinka, on behalf of Staff, submitted to us that the conduct of Prydz in failing to comply with his obligations under the Settlement Agreement was contrary to the public interest, and that his communication with the investors in the Second Letter had demonstrated a complete disregard and disrespect for the Commission's process.

She argued that the public interest warranted at the very least a further cease trade order equal in length to the original cease trade order, and commencing on the expiry of the original cease trade order, February 8, 2005. She also requested that we make an order that Mr. Prydz resign any positions he holds as an officer and director of any issuer, pursuant to clause 127(1)7 of the Act, and that we make an order prohibiting Mr. Prydz from becoming an officer or director of an issuer for a period of at least 5 years from the date on which we make such order, pursuant to clause 127(1) 8 of the Act. She argued that the original cease trade order clearly did not have the requisite impact on Mr. Prydz to restrain his improper conduct, and that Mr. Prydz had been an officer of his previous employer. She stated that Mr. Prydz was, and he may continue to be, an officer of Investors Retirement Holdings Inc., one of the issuers which had been the subject of the first proceeding.

In response to Staff's argument, Mr. Prydz stated that there was "really not much that I can say because I agree with all the information that you've received today". He stated that his intention wasn't to show disrespect and that most of the people that were involved in the investments through him were family, relatives and close friends. Mr. Prydz gave no satisfactory explanation as to why he had sent the Second Letter to investors, why he had not advised Staff of the names of three investors, and why he had not caused the offending language to be removed from his employer's website in accordance with the Settlement Agreement. He said that he had lost his income and was currently looking at another field to get into, that his life had changed significantly, and that he was selling his house and trying to move forward.

Commission Findings

We find, on the basis of the evidence submitted, that Mr. Prydz knowingly and intentionally failed to honour the Settlement Agreement which he had entered into voluntarily in order to settle the previous proceedings. This is no light matter.

Mr. Prydz showed, in our view, as he had done in the sale of securities without a prospectus and without registration in the proceedings settled by the Settlement Agreement, a disregard for the securities laws of this province.

Mr. Prydz said that it was not his intention to show disrespect for the Commission. It may not have been his intention, but failing to comply with the terms of the Settlement Agreement did, in fact, show disrespect for the Commission.

However, whether or not Mr. Prydz showed disrespect for the Commission is not the real question, which is whether Mr. Prydz's actions have been such as to require us to impose sanctions under subsection 127(1) of the Act in order to protect the public interest.

In our view, intentional breaches by a respondent party to a settlement agreement, which has been approved by a Commission order, of that party's undertakings in the settlement agreement (which undertakings must be assumed to have been bargained for by Staff as necessary, in its view, for the protection of the public interest) is itself an action contrary to the public interest and shows a lack of regard by the party for his or her obligations under Ontario securities law sufficient to warrant an inquiry as to what, if any, additional sanctions should be imposed by the Commission in order to protect investors in, and the capital markets of, Ontario.

The sanctions which the Commission is entitled to impose under subsection 127(1) of the Act are not intended to punish a respondent, but rather are intended to protect investors in, and the integrity of the capital markets of, this province. (See: Gordon Capital v. Ontario Securities Commission (1991), 14 O.S.C.B. 2713 at 2723 (Divisional Court); In the Matter of Mithras Management Ltd. et al. (1988), 11 O.S.C.B. 1600 at 1610; In the Matter of Gregory McGroarty et al. (1990), 13 O.S.C.B. 3887 at 3934. Sanctions should be imposed under subsection 127(1) where the evidence establishes that there is a reasonable likelihood that the improper conduct of the respondent may continue unless the Commission moves to prevent a recurrence. (See: Mithras; In the Matter of Gordon Capital Corporation and David Bond (1990), 13 O.S.C.B. 2035.) In most cases, as in this one, the only evidence which we can have as to what a respondent is likely to do in the future is what the respondent has done in the past. (See: Mithras.)

In this case, Mr. Prydz not only breached his undertakings made in the Settlement Agreement, he did so in three different respects, showing, in our view, that he considered the Settlement Agreement as no more than a means of getting rid of the settled proceedings, with no real intention of being bound by the Settlement Agreement. In our view, such conduct exacerbates the breaches of the Act admitted by Mr. Prydz in the Settlement Agreement, and shows that Mr. Prydz continues to have little regard for the securities laws of this province. In our view, the public interest clearly requires that Mr. Prydz be removed from the capital markets of this province for a very substantial period of time in order to protect those markets and investors in this province.

We also bear in mind that, in deciding what sanctions are appropriate, we should take into account general deterrence, ie: what is necessary to restrain conduct by others that is likely to be prejudicial to the public interest in having capital markets that are fair and efficient. (See: In the Matter of Linden Dornford (1998), 21 O.S.C.B. 7345 at 7351.) As we have said, breach by a respondent of obligations voluntarily incurred in a settlement agreement is no light matter, and should be discouraged.

Accordingly, we make the following orders pursuant to subsection 127(1) of the Act;

1. under clause 2, that Mr. Prydz is prohibited from trading in securities for an additional period of 10 years from February 8, 2005;

2. under clause 7, that Mr. Prydz shall resign all positions that he holds as a director or officer of an issuer;

3. under clause 8, that Mr. Prydz is prohibited from becoming or acting as a director or officer of any issuer during the period from the date of this decision until February 8, 2015; and

4. under clause 6, an order that Mr. Prydz is again reprimanded.

May 9th, 2000.

"J. A. Geller" "J. F. Howard"

"Theresa McLeod"

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Chapter 4

Cease Trading Orders

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Chapter 5

Rules and Policies

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Chapter 6

Request for Comments

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

Exempt Financings

The Ontario Securities Commission reminds Issuers of exempt financings that they are responsible for the completeness, accuracy and timely filing of Forms 20 and 21 pursuant to section 72 of the Securities Act and section 14 of the Regulation to the Act. The information provided is not verified by staff of the Commission and is published as received except for confidential reports filed under paragraph E of the Ontario Securities Commission Policy Statement No. 6.1.

Reports of Trades Submitted on Form 45-501f1

Trans. Date	Security	Price ($)	Amount
24Apr00	ACLARA BioSciences, Inc. - Common Stock	US$630,000	30,000
19Apr00	Antarcti.ca Systems Inc. - Class A Preferred Shares	1,261,315	1,407,285
29Mar00	ATMI, Inc. - Common Stock	US$67,500	1,500
06Apr00	BCM Arbitrage Fund - Limited Partnership Units	370,000	1,494
17Apr00	Boyd Group Inc., The - Class A (Subordinate Restricted Voting) Shares	US$513,000	180,000
17Apr00	Boyd Group Inc., The - Class A (Subordinate Restricted Voting) Shares	US$79,800	28,000
17Mar00	BPI American Opportunities Fund - Units	4,665,144	28,904
24Mar00	BPI American Opportunities Fund - Units	3,359,031	20,178
17Mar00	BPI Global Opportunities III Fund - Units	1,423,525	10,992
24Mar00	BPI Global Opportunities III Fund - Units	279,150	2,190
29Feb00	C.I. Trident Fund - Units	300,000	1,682
31Aug99	C.I. Trident Fund - Units	1,306,114	10,483
30Jun99	C.I. Trident Fund - Units	1,023,960	9,116
31Jan00	C.I. Trident Fund - Units	2,373,078	13,014
31Jul99	C.I. Trident Fund - Units	1,007,019	8,285
30Sep99	C.I. Trident Fund - Units	2,761,646	21,202
31Oct99	C.I. Trident Fund - Units	1,300,203	9,952
31Dec99	C.I. Trident Fund - Units	2,967,974	19,118
30Nov99	C.I. Trident Fund - Units	560,000	3,974
18Apr00	Caldera Resources Inc. - Common Shares	240,000	800,000
17Apr00	CAM Capital Fund I Limited Partnership - Units	13,600,000	13,600,000
	Canadian Spooner Industries Inc. - Common Shares	149,999	810,810
03Feb00	Canadian Trustco Mortgage Company - Coupons	7,320,647	12,352,500
14Apr00	Canoe Inc. - Preferred Shares	20,000,000	2,000
20Apr00	CC&L Global Growth Fund -	158,241	15,722
27Mar00	CompleTel Europe N.V. - Ordinary Shares	US$8,544	500
Mar00	Connor Clark Private Trust -	US$2,857,367	2,857,967
Mar00	Connor Clark Private Trust -	32,704,695	32,704,695
31Mar00	Corus Entertainment Inc. - Class B Non-Voting Shares (No Ontario Purchasers)		
24Apr00	Deans Knight Bond Fund - Units	803,027	1,426
12Apr00	E-Zone Networks Inc. - Promissory Notes	$8,785,800	$8,785,800
03Feb00	Enbridge Pipelines Inc. - Coupons	11,536,396	15,800,000

Trans. Date	Security	Price ($)	Amount
20Apr00	ePhone Telecom, Inc. - Special Warrants	101,860	92,600
20Apr00	Fakespace Systems Inc. - Convertible Debentures	1,500,000	1,500,000
11Apr00	Ft. McMurrary Equipment Trust - 6.81% Series 2000 - A Secured Bond	70,000,000	70,000,000
23Mar00	Genentech, Inc. - Common Stock	US$489,000	3,000
24Mar00	Genesis Partners II LDC - Regular Member Interest	US20,000,000	20,000,000
25Apr00	Great Lakes Power Trust - First Mortgage Bonds Series I, II, and III	14,000,000, 5,000,000, 25,000,000	14,000,000, 5,000,000, 25,000,000 Resp.
10Apr00	Grocery Gateway Inc. - Units	30,773,000	4,125,000
17Apr00	Hallmark Bond Fund -	300,000	300,000
29Mar00	Hanaro Telecom, Inc. - Shares	US$1,180,311	76,100
13Apr00	Infowave Software, Inc. - Special Warrants	30,030,000	924,000
31Jan00	Internet Sports Network, Inc. - Convertible Debentures	US$300,000	300,000
21Feb00	Internet Sports Network, Inc. - Convertible Debentures	250,000	250,000
21Feb00	Internet Sports Network, Inc. - Convertible Debentures	500,000	500,000
14Apr00	IntraCoastal System Engineering Corporation - Convertible Debentures	780,000	2
15Sep00	JCI Corporation - Series E Promissory Notes	$1,910,000	9
04Feb00	JCI Corporation - Series F Promissory Notes	$3,783,488	14
05Apr00	Kasten Chase Applied Research Ltd. - Special Warrants	14,500	14,500
24Mar00	Kasten Chase Applied Research Limited - Special Warrants	22,500	22,500
28Mar00	Kinder Morgan Energy Partners, L.P. - Units	US$516,750	13,000
03Feb00	Loblaws Companies Ltd. - Coupons	10,982,234	18,060,000
07Apr00	Muzinich Cashflow CBC Ltd. - Class A Floating Rate Senior Notes due 2012	US$15,000,000	$15,000,000
13Apr00	Net Resources - Special Warrants	30,000	30,000
14Apr00	Nortran Pharmaceuticals Inc. - Special Warrants	6,500,200	4,643,000
10Apr00	Oasis Technology Ltd. - Common Shares	150,000	23,205
30Mar00	PetroChina Company Limited - American Depositary Shares	US$1,044,523	5,710,500
29Mar00	Plaintree Systems Inc. - Common Shares	2,215,000	2,569,921
30Mar00	Predictive Systems Inc. - Common Stock	US$43,000	1,000
11Apr00	Procyon BioPharma Inc. - Special Warrants	4,162,760	1,588,840
12Apr00 & 14Apr00	Putnam Canadian Global Trusts - Trust Units	324	29
18Apr00 to 20Apr00	Putnam Canadian Global Trusts - Trust Units	216	21
19Apr00	Quebecor World Inc. - Subordinate Voting Shares	958,871	500,000
18Apr00	SoftQuad Software, Ltd. - Units	11,678,855	1,059,350
27Mar00	Spencer's Landing Inc. - Units	2,400,000	240
13Apr00	Travlbyus.com Ltd. - 12.5 % Debentures Due 9Sep01	100	150,000
14Apr00	Travlbyus.com Ltd. - 12.5 % Debentures Due 9Sep01	100	150,000
14Apr00	Travlbyus.com Ltd. - 12.5 % Debentures Due 9Sep01	100	150,000
14Apr00	Travlbyus.com Ltd. - 12.5 % Debentures Due 9Sep01	100	300,000
13Apr00	Travlbyus.com Ltd. - 12.5 % Debentures Due 9Sep01	100	150,000
14Apr00	Travlbyus.com Ltd. - 12.5 % Debentures Due 9Sep01	100	150,000
14Apr00	Travlbyus.com Ltd. - 12.5 % Debentures Due 9Sep01	100	300,000
13Apr00	Travlbyus.com Ltd. - 12.5 % Debentures Due 9Sep01	100	150,000
10Apr00 to 14Apr00	Trimark Mutual Funds - Units (See Filing document for Individual Fund Names)	8,784,719	1,043,313
03Apr00 to 07Apr00	Trimark Mutual Funds - Units (See Filing document for Individual Fund Names)	6,311,184	718,554
18Apr00	Upper Circle Equity Fund, The - Units	150,000	11,441
30Mar00	ValueClick, Inc. - Common Shares	US57,000	3,000
23Mar00	Viasystems Group, Inc. - Common Stock	US$4,200	200
31Mar00	Vital Retirement Living Inc. - Common Shares	3,569,506	5,491,549

Trans. Date	Security	Price ($)	Amount
17Apr00	Vyyo Inc. - Common Stock	US$113,400	8,400
31Mar00	Windsor Hill (Charleston) Associates Limited Partnership (Limited Partnership Units)	4,897	45,000

Reports Made under Subsection 5 of Subsection 72 of the Act with Respect to Outstanding Securities of a Private Company That Has Ceased to Be a Private Company -- (Form 22)

Name of Company	Date the Company Ceased to be a Private Company
AutoSkill International Inc.	11Apr00
C-Com Satellite Systems Inc.	14Apr00

Notice of Intention to Distribute Securities Pursuant to Subsection 7 of Section 72 - (Form 23)

Seller	Security	Amount
Magrill, Gordon	Interprovincial Venture Capital Corporation - Common Shares	2,000,000
Xenolith Gold Limited	Kookaburra Resources Ltd. - Common Shares	1,486,000
Oncan Canadian Holdings Ltd.	Onex Corporation - Subordinate Voting Shares	494,000
Coplex Resources NL	Petrolex Energy Corporation - Common Shares	42,687,098
Citibank Canada	TDZ Holdings - Common Shares	1,021,640
DKRT Family Corp.	Thomson Corporation, The - Common Shares	2,469,000
Diadem Resources Ltd.	Waseco Resources Inc. - Common Shares	1,000,000

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Chapter 9

Legislation

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Applied Terravision Systems Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated May 8th, 2000
Mutual Reliance Review System Receipt dated May 9th, 2000
Offering Price and Description:
$10,350,000 - 3,450,000 Common Shares and 1,725,000 Common Share Purchase Warrants Issuable Upon Exercise of 3,450,000 Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
Acumen Capital Finance Partners
Thomson Kernaghan & Co. Limited
Promoter(s):
Fred C. Coles
Robert W. Tretiak
Project #262656

Issuer Name:
Bema Gold Corporation
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated May 4th, 2000
Mutual Reliance Review System Receipt dated May 4th, 2000
Offering Price and Description:

Underwriter(s), Agent(s) or Distributor(s):
N\A
Promoter(s):
N\A
Project #261826

Issuer Name:
Burgundy Pension Trust Fund
Burgundy U.S. Money Market Fund
Burgundy European Equity Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated May 9th, 2000
Mutual Reliance Review System Receipt dated May 10th, 2000
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s), Agent(s) or Distributor(s):
N/A
Promoter(s):
Burgundy Asset Management Ltd.
Project #263004

Issuer Name:
Burntsand Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated May 2nd, 2000
Mutual Reliance Review System Receipt dated May 5th, 2000
Offering Price and Description:
$49,499,992 - 4,714,285 Common Shares
Underwriter(s), Agent(s) or Distributor(s):
Goepel McDermid Inc.
CIBC World Markets Inc.
Yorkton Securities Inc.
RBC Dominion Securities Inc.
Promoter(s):
N/A
Project #262223

Issuer Name:
Canadian Natural Resources Limited (NP #44 - Shelf)
Type and Date:
Amendment #1 dated May 9th, 2000 to Short Form Prospectus dated February 22nd, 1999
Received May 10th, 2000
Offering Price and Description:
$500,000,000 - Medium Term Notes (unsecured)
Underwriter(s), Agent(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
Scotia Capital Inc.
Promoter(s):
N/A
Project #147353

Issuer Name:
Centrinity Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 30th, 2000
Mutual Reliance Review System Receipt dated May 5th, 2000
Offering Price and Description:
$25,000,000 - 2,500,000 Common Shares issuable upon the exercise of 2,500,000 previously issued Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
Canaccord Capital Corporation
National Bank Financial Inc.
Scotia Capital Inc.
Promoter(s):
N/A
Project #261763

Issuer Name:
CPI Plastics Group Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated April 28th, 2000
Mutual Reliance Review System Receipt dated May 3rd, 2000
Offering Price and Description:
930,470 Common Shares issuable upon the exercise of Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
Griffiths McBurney & Partners
Promoter(s):
N/A
Project #261225

Issuer Name:
Envoy Communications Group Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated May 4th, 2000
Mutual Reliance Review System Receipt May 4th, 2000
Offering Price and Description:
$ * - * Common Shares
Underwriter(s), Agent(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
N/A
Project #261663

Issuer Name:
Ezenet Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 4th, 2000
Mutual Reliance Review System Receipt dated May 8th, 2000
Offering Price and Description:
$51,876,000 - 4,611,200 Common Shares and 2,305,600 Warrants issuable upon exercise of 4,611,200 Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
Octagon Capital Corporation
Salman Partners Inc.
Acumen Capital Finance Partners Ltd.
Promoter(s):
Haron Ezer
Gordon J. Ramer
Kasra Meshkin
Terence W. Rogers
Project #261802

Issuer Name:
Hurricane Hydrocarbons Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated April 28th, 2000
Mutual Reliance Review System Receipt dated May 3rd, 2000
Offering Price and Description:
$36,449,400 - 9,346,000 Common Shares issuable on exercise of 9,346,000 Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
Canaccord Capial Corporation
Credifinance Securities Limited
Promoter(s):
N/A
Project #261361

Issuer Name:
Hydro One Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 10th, 2000
Mutual Reliance Review System Receipt dated May 10th, 2000
Offering Price and Description:
$ * - % Debentures due 2005 (Series 1) (Senior Unsecured) , % Debentures due 2010 (Series 2) (Senior Unsecured) % Debentures due 2030 (Series 3) (Senior Unsecured)
Underwriter(s), Agent(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
Merrill Lynch Canada Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
TD Securities Inc.
Goldman Sachs Canada Inc.
National Bank Financial Inc.
Promoter(s):
N/A
Project #263212

Issuer Name:
Minacs Worldwide Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 2nd, 2000
Mutual Reliance Review System Receipt dated May 5th, 2000
Offering Price and Description:
Underwriter(s), Agent(s) or Distributor(s):
Octagon Capital Corporation
Thomson Kernaghan & Co. Limited
Promoter(s):
N/A
Project #261643

Issuer Name:
Multi-Glass International Inc.
Type and Date:
Preliminary Prospectus dated May 5th, 2000
Receipted May 9th, 2000
Offering Price and Description:
$2,500,000 - 5,000,000 Common Shares issuable upon exercise of 5,000,000 Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Keith F. Eaman
Shawn T. Tilson
Project #262262

Issuer Name:
NCE Flow-Through (2000-1) Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 8th, 2000
Mutual Reliance Review System Receipt dated May 9th, 2000
Offering Price and Description:
$5,000,000 to $30,000,000 - 200,000 to 1,200,000 Limited Partnership Units
Underwriter(s), Agent(s) or Distributor(s):
Canaccord Capital Corporation
Dundee Securities Corporation
Goepel McDermid Inc.
Yorkton Securities Inc.
Promoter(s):
Petro Assets Inc.
Project #262556

Issuer Name:
Nelvana Limited
Principal Regulator - Ontario
Type and Date:
Amended Preliminary Short Form Prospectus dated May 5th, 2000
Mutual Reliance Review System Received May 8th, 2000
Offering Price and Description:
US$ * - 3,750,000 Subordinate Voting Shares
Underwriter(s), Agent(s) or Distributor(s):
RBC Dominion Securities Inc.
Promoter(s):
N/A
Project #260311

Issuer Name:
Unique Broadband Systems, Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated May 5th, 2000
Mutual Reliance Review System Receipt dated May 8th, 2000
Offering Price and Description:
$41,024,000 - 4,102,400 Common Shares and 2,051,200 Purchase Warrants Issuable upon exercise of 1,025,600 Special Warrants previously issued at a price $40.00 per Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
Scotia Capital Inc.
Thomson Kernaghan & Co. Limited
Goepel McDermid Inc.
Promoter(s):
N/A
Project #262389

Issuer Name:
Xenos Group Inc.
Type and Date:
Amendment #1 dated May 5th, 2000 to Preliminary Prospectus dated March 31st, 2000
Mutual Reliance Review System Received dated May 8th, 2000
Offering Price and Description:
$26,032,500 - 667,500 Common Shares Issuable upon the exercise of Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
RBC Dominion Securities Inc.
National Bank Financial Inc.
Yorkton Securities Inc.
Promoter(s):
N/A
Project #251454

Issuer Name:
Sears Canada Inc.
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated May 3rd, 2000 to Short Form Prospectus dated December 22nd, 1998
Mutual Reliance Review System Receipt dated 8th day of May, 2000
Offering Price and Description:

Underwriter(s), Agent(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotial Capital Inc.
TD Securities Inc.
Promoter(s):
N/A
Project #141120

Issuer Name:
Aastra Technologies Limited
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 1st, 2000
Mutual Reliance Review System Receipt dated 2nd day of May, 2000
Offering Price and Description:
$55,000,000.00 - 4,400,000 Common Shares to be Issued upon the Exercise of 4,400,000 Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
Yorkton Securities Inc.
Sprott Securities Limited
Canaccord Capital Corporation
Acumen Capital Finance Partners Limited
HSBC Securities (Canada) Inc.
Promoter(s):
N/A
Project #252448

Issuer Name:
Micrologix Biotech Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 3rd, 2000
Mutual Reliance System Receipt dated 4th day of May, 2000
Offering Price and Description:
$40,000,000.00 - 4,000,000 Common Shares to be issued upon the Exercise of 4,000,000 Previously Issued Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
TD Securities Inc.
Yorkton Securities Inc.
RBC Dominion Securities Inc.
Goepel Mcdermid Inc.
Cannaccord Capital Corporation
Promoter(s):
N\A
Project #253500

Issuer Name:
Sierra Wireless, Inc.
Principal Jurisdiction - British Columbia
Type and Date:
Final Prospectus dated May 4th, 2000
Mutual Reliance Review System Receipt dated 4th day of May, 2000
Offering Price and Description:
U.S.$ * - * Common Shares
Underwriter(s), Agent(s) or Distributor(s):
Lehman Brothers Canada Inc.
Merrill Lynch Canada Inc.
Scotia Capital Inc.
Promoter(s):
N/A
Project #254873

Issuer Name:
Tm Bioscience Corporation
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated May 5th, 2000
Mutual Reliance Review System Receipt dated 8th day of May, 2000
Offering Price and Description:
$4,850,003 - 20,000,000 Common Shares and 17,500,007 Warrants to be issued upon the exercise of 20,000,000 Special Warrants
Underwriter(s), Agent(s) or Distributor(s):
Yorkton Securities Inc.
Promoter(s):
N\A
Project #253092

Issuer Name:
Theratechnologies Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated April 25th, 2000
Mutual Reliance Review System Receipt dated 3rd day of May, 2000
Offering Price and Description:

Underwriter(s), Agent(s) or Distributor(s):
Yorkton Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Desjardins Securities Inc.
Promoter(s):
N/A
Project #258340

Issuer Name:
@rgentum U.S. Market Neutral Portfolio
@rgentum Canadian L/S Equity Portfolio
Principal Jurisdiction - Quebec
Type and Date:
Final Simplified Prospectus and Annual Information Form dated May 9th, 2000
Receipted 9th day of May, 2000
Offering Price and Description:
Mutual Fund Securities - Net Asset Value
Underwriter(s), Agent(s) or Distributor(s):
Registered Dealer
Promoter(s):
@rgentum Management and Research Corporation
Project #206314

Issuer Name:
ClientLogic Corporation
Type and Date:
Preliminary Prospectus dated April 5th, 2000
Withdrawn 8th day May, 2000
Offering Price and Description:

Underwriter(s), Agent(s) or Distributor(s):
N/A
Promoter(s):
N/A
Project #252920

Issuer Name:
Croft Enhanced Income Fund
Type and Date:
Preliminary Simplified Prospectus dated December 24th, 1999
Withdrawn 22nd day of March, 2000
Offering Price and Description:

Underwriter(s), Agent(s) or Distributor(s):
Registered Dealer
Promoter(s):
R.N. Croft Financial Group Inc.
Project #229371

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Chapter 12

Registrations

12.1.1 Securities

Type	Company	Category of Registration	Effective Date
Change in Category	Georgia Pacific Securities Corporation Attention: John S. Grant, Jr. c/o Gowling, Strathy & Henderson Suite 4900 Commerce Court West Toronto, Ontario M5L 1J3	From: Broker To: Broker/Investment Dealer Equities Options	May 9/00
New Registration	Coniston Investment Corp. Attention: Paul Anthony Parisotto 390 Bay Street Suite 2020 Toronto, Ontario M5H 2Y2	Limited Market Dealer	May 3/00

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1 SRO Notices and Disciplinary Decisions

13.1.1 Gorinsen Capital Inc. and Kenneth Norquay

BULLETIN #2723

May 3, 2000

Discipline Penalties Imposed on Gorinsen Capital Inc. and Kenneth Norquay - Violation of By-law 29.1

Person Disciplined

The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Gorinsen Capital Inc. ("Gorinsen") and Kenneth Norquay ("Mr. Norquay"). Mr. Norquay was, at the relevant time, the President, Director and Secretary-Treasurer of Gorinsen, a Member of the Association.

By-laws, Regulations, Policies Violated

By written decision dated April 28, 2000 the District Council has concluded a discipline proceeding concerning allegations made by Enforcement staff that Gorinsen and Mr. Norquay violated Association By-laws. The District Council found that:

1. Gorinsen allowed its name to be used by an unregistered person to facilitate a private placement of securities and thereby engaged in conduct unbecoming or detrimental to the public interest contrary to Association By-law 29.1; and

2. Mr. Norquay failed to conduct appropriate and diligent inquiries regarding a private placement and unknowingly allowed an unregistered person to act in furtherance of trades, thereby engaging in conduct which is unbecoming or detrimental to the public interest contrary to Association By-law 29.1.

Penalty Assessed

The discipline penalties assessed against Gorinsen are a fine in the sum of $7,500 and disgorgement of commissions in the sum of $2,736. The discipline penalty imposed against Mr. Norquay is a condition on his registration approval that he be prohibited from involvement in private placements for a period of three years.

In addition, Gorinsen and Mr. Norquay are required to pay $1,500 each toward the Association's costs of investigation of this matter.

Summary of Facts

In early April 1996, Mr. Norquay was approached by one Alexander Henry, ("Mr. Henry") allegedly the Managing Partner of Hampton Equity Management Inc. ("Hampton Equity"). Mr. Henry solicited Gorinsen's involvement in the completion of a private placement on the basis that Hampton Equity was a Limited Market Dealer and a regular broker was required to complete the financing to take advantage of available prospectus exemptions.

Mr. Norquay, on behalf of Gorinsen, agreed to facilitate the private placement. Mr. Henry was given responsibility, as agent of Gorinsen, for the completion of the financing. Unbeknownst to Mr. Norquay, neither Mr. Henry nor Hampton Equity was registered in any capacity with the appropriate regulatory agencies. Mr. Norquay took no steps to verify the registration status of Mr. Henry or Hampton Equity.

In effect, Gorinsen unwittingly assigned responsibility for the completion of the private placement to an unregistered individual.

Effective May 1, 2000 Gorinsen has changed its name to Westminster Securities Inc. Westminster Securities Inc. remains a Member of the Association but is owned by third parties unrelated to Mr. Norquay. Mr. Norquay continues to be employed by Westminster Securities Inc.

Suzanne M. Barrett
Association Secretary

13.1.2 Gorinsen Capital Inc. and Kenneth Norquay

IN THE MATTER OF
THE INVESTMENT DEALERS ASSOCIATION OF CANADA

AND

GORINSEN CAPITAL INC.
AND KENNETH NORQUAY

DECISION OF THE ONTARO DISTRICT COUNCIL

Hearing:

March 27, 2000

District Council:

The Hon. Fred Kaufman, Q.C., Chair
Norman K.J. Graham
Neil M. Selfe

Counsel:

Andrew W. Werbowski, for the Investment Dealers Association of Canada

Also Present:

Kenneth Norquay

The uncontested facts, as set out in an Agreed Statement of Facts, are these:

(a) The Parties

1. On or about August 1, 1995, Gorinsen Capital Inc. ("Gorinsen") became a member of the Association with its head office located at Suite 3050, 2 First Canadian Place, Toronto, Ontario. As of January 15th, 1996, Gorinsen relocated its head office to Suite 1440, 25 King Street West, Toronto, Ontario.

2. At all relevant times, Gorinsen was wholly owned by Mr. Kenneth Norquay ("Norquay") who was, at all material times, the President, Director & Secretary- Treasurer of Gorinsen.

(b) The Investigation

3. The Financial Compliance Division of the Association conducted a field examination auditing Gorinsen's records relating to its Monthly Financial Report as at November 30, 1996, the Quarterly Operations Questionnaire as at October 31, 1996 and its client accounting.

4. On or about March 17, 1997, based on the finding of its audit, the Compliance Department recommended that the Enforcement Division of the Association commence an investigation into irregularities that had been highlighted in the audit report as at November 30, 1996.

(c) The Private Placement

5. In or around March or early Apri11996, Norquay was approached by Mr. Alexander Henry ("Henry"), the Managing Partner of Hampton Equity Management Inc. ("Hampton Equity"), to enlist the assistance of Gorinsen in facilitating the private placement of 1,000,000 units of Brownstone Investments Inc. ("Brownstone").

6. Henry advised Gorinsen, through Norquay, that Brownstone had exhausted its maximum allowable quota of exempt securities that it was permitted to issue for 1996. In order to issue more stock, Brownstone required a registered and approved investment dealer to act as its Agent in facilitating the distribution.

7. The principle (sic) shareholder of Brownstone had arranged for the sale of its securities to a number of related parties including a Brownstone corporate subsidiary, certain officers and insiders, family relatives and two other Registered Representatives from other IDA member firms.

8. Gorinsen, through Norquay, assumed that Henry and Hampton Equity were licensed as Limited Market Dealers. However, Norquay failed to take any steps to verify this with the Association, the Ontario Securities Commission or with any other body of authority, nor did Norquay request that Henry provide any proof of registration for either himself or Hampton Equity.

9. Gorinsen engaged Henry, through Hampton Equity, to act as its agent regarding the Brownstone distribution and Gorinsen granted to Henry signing authority so as to be able to legally bind Gorinsen. Gorinsen also engaged a qualified securities lawyer to supervise the placement on its behalf.

10. On April 3, 1996, a press release was issued by Brownstone announcing that Gorinsen had agreed to act as agent on behalf of Brownstone in the private placement. An Agency Agreement between Brownstone and Gorinsen was signed on the same day by Henry on behalf of Gorinsen.

11. Paragraph 12(b)(i) of the Agency Agreement provided that Gorinsen "shall conduct its activities in connection with the Private Placement in compliance with all applicable laws and regulatory requirements [...]".

12. On April 17, 1996 the Agency Agreement between Brownstone and Gorinsen was amended by changing the description of the units. All other terms and conditions of the original Agency Agreement, including Paragraph 12(b)(i) remained in effect. Henry signed the amendment to the Agency Agreement on behalf of Gorinsen.

13. The Offering Memorandum in respect of the Brownstone Private Placements was signed on May 21, 1996 by Henry as the Corporate Finance Associate on behalf of Gorinsen.

14. Unknown to Norquay, neither Henry nor Hampton Equity was registered with either the Association or any provincial securities commission. Norquay unwittingly assigned full responsibility for the completion of the private placement to an unregistered individual and left the supervision of the matter to its retained solicitor.

15. Gorinsen received the sum of $27,360.00 on May 31, 1996 from Brownstone as its commission for the financing. In turn, $24,624.00 was paid from Gorinsen to Hampton Equity leaving a total profit on the financing of $2,736.00.

16. No trade confirmations were issued by Gorinsen to any places of the Private Placement nor was any new client account documentation completed for any of the subscribers. Norquay had incorrectly assumed that Gorinsen was responsible for drafting the deal and that Hampton Equity was the sales agent. That is why 90% of the fee was paid to Hampton Equity (60% as a sales commission and 30% as a corporate finance fee).

17. There have been no client complaints resulting from the private placement.

18. As of March 31, 2000 ownership of Gorinsen will be transferred to an unrelated third party. It is the position of Staff, Norquay and Gorinsen that it would be unfair and not in the public interest to impose a prohibition on Gorinsen's involvement in private placement financing having regard to the ownership change. Norquay is prepared to accept a three-year condition on his registration approval that he personally not participate in any private placements.

These facts gave rise to two charges:

1. During the period May 21, 1996 to June 7, 1996 Gorinsen allowed its name to be used to facilitate a private placement and thereby engaged in conduct which is unbecoming or detrimental to the public interest contrary to By-law 29.1.

2. During the period May 21, 1996 to June 7, 1996 Mr. Norquay, the President, Director and Secretary - Treasurer of Gorinsen failed to conduct appropriate and diligent inquiries regarding a proposed private placement and unknowingly allowed an unregistered person to act in furtherance of trades, thereby engaging in conduct which is unbecoming or detrimental to the public interest contrary to By-law 29.1.

A hearing was held by the Ontario District Council on March 27, 2000. At the conclusion of this hearing, after a short recess to deliberate, the panel found that the facts, as set out in the statement cited above, demonstrated that the violations alleged in the two counts had indeed occurred.

On the question of penalty, the parties made a joint submission, and the panel indicated that "the recommended penalty is very appropriate in this case" and it imposed the following sanctions:

- A fine of $7,500 against Gorinsen Capital Inc., to be paid to the IDA within 90 days;
- Disgorgement of commissions earned by Gorinsen Capital Inc. in the amount of $2,736, to be paid to the IDA within 90 days;
- A condition on the registration approval of Kenneth Norquay prohibiting his involvement in private placements for a period of three years;
- Reimbursement of IDA investigative costs in the sum of $3,000, one half to be paid by Gorinsen Capital Inc., the other half by Kenneth Norquay.

In imposing the penalty, the panel noted "that there was nothing intentional on [Mr. Norquay's] part," that his conduct was "closer to carelessness than to recklessness," and that "there were no complaints from the public about this - the investors."

DATED AT TORONTO, ONTARIO, this 28th day of April, 2000.

The Honourable Fred Kaufman, Q.C.,
Public Member (Chair)

Norman K.J. Graham (Member)

Neil M. Selfe (Member)

13.1.3 Kenneth Ogaki and Marc Guillemette

NOTICE TO PUBLIC RE: DISCIPLINARY HEARINGS

May 4, 2000

RE: IN THE MATTER OF KENNETH OGAKI AND IN THE MATTER OF MARC GUILLEMETTE

Toronto, Ontario – The Investment Dealers Association of Canada announced today that a date has been set for two discipline hearings before the Ontario District Council of the Association.

The first hearing is in regards to alleged misconduct on the part of Mr. Kenneth Ogaki, a Registered Representative at Financial Concept Group ("FCG"). FCG is a related company of Merrill Lynch Canada Inc., a Member of the Association.

The second hearing is in regards to alleged misconduct on the part of Mr. Marc Guillemette, formerly a Registered Representative at Merit Investment Corporation (now Rampart Securities Inc.), a Member of the Association. Mr. Guillemette is not currently employed or registered with a Member of the Association.

Both hearings are scheduled to take place on **Thursday, May 25, 2000**, at the Standard Life Centre, 121 King Street West, 17th Floor, Boardroom B, XCHANGE Conference Centre, Toronto, Ontario. The hearing in the matter of Kenneth Ogaki is scheduled to commence at **9:30 a.m.**. The hearing in the matter of Marc Guillemette is scheduled to commence at **1:30 p.m.**. The hearings are open to the public except as may be required for the protection of confidential matters.

If the Ontario District Council determines that discipline penalties are to be imposed, the Association will issue an Association Bulletin giving notice of the discipline penalties assessed, the regulatory violation(s) committed, and a summary of the facts. Copies of the Association Bulletins and the Decisions of the District Council will be made available.

Contact:

Kathleen O'Brien
Public Affairs Co-ordinator
(416) 943-6921

13.1.4 David John Capling

NOTICE TO PUBLIC RE: DISCIPLINARY HEARING

May 4, 2000

RE: IN THE MATTER OF DAVID JOHN CAPLING

Toronto, Ontario - The Investment Dealers Association of Canada announced today that a date has been set for the commencement of a discipline hearing before the Ontario District Council of the Association.

The hearing will concern alleged misconduct on the part of Mr. David John Capling, a Registered Representative employed at the material times by Levesque Securities Inc. and Nesbitt Burns Inc., both Members of the Association.

The hearing will commence at 10:00 a.m. on May 16 and May 17, 2000 at the "Training Room" in the Association's offices located on the 9th floor, 121 King Street West, Toronto, Ontario. The hearing is open to the public except as may be required for the protection of confidential matters.

If the Ontario District Council determines that discipline penalties are to be imposed on Mr. Capling, the Association will issue an Association Bulletin giving notice of the discipline penalties assessed, the regulatory violation(s) committed by Mr. Capling, and a summary of the facts of the case. Once the District Council has issued its Decision, copies of the Association Bulletin and the Decision will be made available.

Contact:

Kathleen O'Brien
Public Affairs Coordinator
Investment Dealers Association of Canada
(416) 943-6921

13.1.5 A. C. MacPherson & Co. Inc.

BULLETIN # 2719

May 1, 2000

SUSPENSION OF A.C. MACPHERSON & CO. INC.

Member Disciplined

The Ontario District Council of the Investment Dealers Association of Canada has ordered the suspension of the rights and privileges of Membership in the Association of A.C. MacPherson & Co. Inc. effective May 01, 2000 except as may be necessary to carry out the provisions of the Order of the Ontario Securities Commission dated April 06, 2000.

Summary of Facts

On March 28, 2000 the Ontario Securities Commission issued a Notice of Hearing pursuant to subsection 127(1) of the *Securities Act* in respect of A.C. MacPherson & Co. Inc. On the same date, A.C. MacPherson & Co. Inc. entered into a Settlement Agreement in which they agreed to a proposed settlement of the proceeding subject to the approval of the Ontario Securities Commission.

On April 06, 2000 the Ontario Securities Commission approved that Settlement Agreement and issued an Order that prohibits A.C. MacPherson & Co. Inc. from acting as principal in the sale of any securities to a client, and effective April 30, 2000 prohibits A.C. MacPherson & Co. Inc. from acting as agent in the purchase of any securities by a client of the firm, limits its activities to the orderly wind-up of its business and affairs, including the return of all clients' securities and free credit balances, or the transfer of such securities or free credit balances to another Member of the Association, and which requires A.C. MacPherson & Co. Inc. to cease carrying on business as an investment dealer as of July 05, 2000, and to comply with the provisions of Association By-law 8 in resigning its Membership in the Association.

As a result, the Investment Dealers Association has suspended the rights and privileges of Membership in the Association of A.C. MacPherson & Co. Inc. effective May 01, 2000 except to the extent as may be necessary for A.C. MacPherson & Co. Inc. to carry out the Ontario Securities Commission Order dated April 06, 2000.

Suzanne M. Barrett
Association Secretary

13.1.6 A. C. MacPherson & Co. Inc. - Interim Suspension Order

IN THE MATTER OF A SUSPENSION OF MEMBERSHIP PURSUANT TO BY-LAW 20.30 OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA

RE: A. C. MACPHERSON & CO. INC.

INTERIM SUSPENSION ORDER

WHEREAS the Chair of the Ontario District Council ("the District Council") of the Investment Dealers Association of Canada ("the Association") has received information from the Department of Member Regulation of the Association that:

i) on April 06, 2000 the Ontario Securities Commission ruled that pursuant to clause 1 of subsection 127(1) of the *Securities Act,* R.S.O. 1990, c.S.5, as amended, (the "Act"), the registration of **A.C. MacPherson & Co. Inc.** is hereby suspended effective July 05, 2000.

ii) on April 06, 2000 the Ontario Securities Commission ruled that pursuant to clause 1 of subsection 127(1) of the Act, the following terms and conditions were hereby imposed upon the registration of **A.C. MacPherson & Co. Inc.**:

1. the registrant shall not act as principal in the sale of any securities to a client of the registrant;

2. effective April 30, 2000, the registrant shall not act as agent in the purchase of any securities by a client of the registrant;

3. the registrant shall, by July 05, 2000 cease to carry on its activities as an investment dealer;

4. the registrant shall limit its activities to the orderly wind-up of its business and affairs, including the return of all client's securities and free credit balances, or the transfer of those securities and balances to a firm that is a member of the Investment Dealer's Association ("IDA"), upon the request of the client,

5. subject to paragraph 7 of these terms and conditions, the registrant shall prepare and file with the Manager of Investigations of the Ontario Securities Commission ("the Manager"):

(i) a balance sheet of the registrant reported thereon by the registrant's independent auditor without qualification as at July 05, 2000, or such other date as may be agreed upon between the registrant and the Manager, which balance sheet shall indicate that the registrant has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or

(ii) a report from the registrant's independent auditor without qualification that in the auditor's opinion the registrant has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any;

6. in the course of transferring client accounts to any firm, the registrant shall make its best efforts to transfer all of the registrant's books and records necessary to record properly its business transactions and financial affairs relating to those client accounts, whether or not such books and records are kept by means of mechanical, electronic or other devices;

7. if the whole or substantial part of the registrant's business and assets is being acquired by one transferee, then the registrant need not comply with paragraph 5 of these terms and conditions, provided that the registrant is permitted by the IDA to proceed in accordance with IDA By-law 8.3 and the transferee provides the Manager with a copy of the letter to the IDA required by By-Law 8.3; and

8. for greater certainty, in the course of wind-up of its activities, the registrant shall comply with all of its obligations as a member of the IDA, including complying with IDA By-law No. 8.

AND WHEREAS the District Council is of the opinion that as a result of the Order of the Ontario Securities Commission issued on April 06, 2000 and the filing of the Settlement Agreement attached to this Order, **A.C. MacPherson & Co. Inc.** is in breach of Association By-law 2;

THE DISTRICT COUNCIL ORDERS that the rights and privileges of Membership in the Association of **A.C. MacPherson & Co. Inc.** are immediately suspended pursuant to By-law 20.30 (a) and THE DISTRICT COUNCIL directs **A.C. MacPherson & Co. Inc.** to carry out the provisions of the Order of the Ontario Securities Commission as dated April 06, 2000.

DATED at Toronto, Ontario, this 01st day of May, 2000.

INVESTMENT DEALERS ASSOCIATION OF CANADA
(ONTARIO DISTRICT COUNCIL)

13.1.7 Derivative Services Inc. and Malcolm Robert Bruce Kyle

IN THE MATTERS OF

THE INVESTMENT DEALERS ASSOCIATION OF CANADA

AND

DERIVATIVE SERVICES INC. and MALCOLM ROBERT BRUCE KYLE

DECISION OF THE ONTARIO DISTRICT COUNCIL

Hearing:

January 11 and 12, 2000

District Council:

Philip Anisman, Chair
Sandra L. Rosch
Bruce S. Schwenger

Counsel:

Brian Awad, for the Investment Dealers Association of Canada

Mary L. Biggar, for the respondents, Derivative Services Inc. and Malcolm Robert Bruce Kyle

A. Introduction

This decision follows the hearing on the merits of the matters raised by two substantially identical notices of hearing issued by the Investment Dealers Association of Canada (the "Association") on December 1, 1998 and amended on February 15, 1999 with the consent of the respondents (the "Notices"). Each Notice refers to one of the respondents, Derivative Securities Inc. ("DSI") and Malcolm Robert Bruce Kyle.

This hearing was preceded by four others. At the initial hearing on January 21, 1999 the District Council made a number of scheduling rulings and also ruled that a letter dated December 8, 1998 from counsel for the respondents to counsel for the Association would constitute the respondents' reply to the Notices for purposes of paragraph 20.14 of the Association's By-laws (the "Reply"); see (1999) 22 O.S.C.B. 5541 (September 3) (the "First Ruling"). On February 9, 1999 the District Council ruled on the issues to be heard and the procedure to be followed on the hearing of a preliminary motion; see (1999) 22 O.S.C.B. 5542 (September 3) (the "Second Ruling"). This motion, heard on May 7, 1999, resulted in rulings on the Association's jurisdiction to bring this proceeding and on the procedures applicable to it; see (1999) 22 O.S.C.B. 5544 (September 3) (the "Third Ruling"). On November 29, 1999, the District Council refused requests by the respondents to stay this proceeding and to require attendance at the hearing of an officer of RBC-Dominion

Securities Inc. ("RBC-DS") who provided information to the Association, but requested that all members of the Association's staff who were involved in receipt of information concerning the decision to initiate the investigation that is the subject of this proceeding, or who participated in that decision, be available to give evidence at this hearing; see (1999) 22 O.S.C.B. 8478 (December 24) (the "Fourth Ruling").

The Notices are contained in Tab 8 of the Joint Book of Documents ("Joint Book") provided to the District Council and marked as Exhibit 2 in connection with the Third Ruling. They allege that the respondents engaged in business conduct that is unbecoming or detrimental to the public interest, contrary to paragraph 29.1 of the By-laws, "by failing to provide documents or other information requested by Association staff in the course of an investigation pursuant to By-law 19".

B. The Regulatory Framework

The issues in this proceeding relate to whether the Association properly exercised its authority to initiate and conduct an investigation under By-law 19. The Association's staff is authorized by paragraph 19.1 of the By-laws to make such examinations of and investigations into the conduct, business or affairs of a member and any of its officers or employees as the staff considers necessary or desirable in connection with any matter relating to compliance by the member or person with the Association's By-laws, Regulations, Rulings or Policies. Such an investigation may be instituted on the basis of a complaint received by the Association or any information received or obtained relating to the member's or person's conduct, business or affairs (para. 19.2).

Once an examination or investigation is initiated, the Association's staff is entitled to free access to any and all records of the member or person concerned, who is prohibited from withholding or concealing any documents reasonably required for the purpose of the examination or investigation (para. 19.6). The Association's staff may also require the member or person to submit a report with regard to any matter involved in the investigation, to produce for inspection and provide copies of all books, records and accounts relevant to the matters being investigated and to attend and give information respecting such matters (para. 19.5). Concomitantly, the Association is obligated to advise in writing any person subject to an investigation under By-Law 19 of the matters under investigation (para. 19.5).

In its Third Ruling the District Council accepted that the Association's authority to conduct an investigation under By-law 19 must be exercised reasonably; see 22 O.S.C.B. at 5556. This reasonableness standard governs the initiation and conduct of an investigation, including the information on which it is based and the nature of the examination or investigation considered "necessary or desirable" by the Association's staff, as is made clear in the obligation to produce documents that are "reasonably required" (para. 19.6). In short, there must be a reasonable basis for the initiation of an investigation and for the steps taken pursuant to it.

This proceeding requires the District Council to address the reasonableness of both the initiation and conduct of the investigation into the business and affairs of DSI which led to the requests made to Mr. Kyle for copies of DSI's records.

C. Witnesses and Procedural Rulings

In the course of the hearing the District Council made ten rulings relating to the calling of witnesses and the introduction of documentary evidence. The Association called only one witness, Wayne Welch, who conducted the investigation and made the requests that are the subject of this proceeding. Ms. Biggar requested the District Council to require five other employees of the Association and an officer of RBC-DS to attend and give evidence, as well. In the result, the District Council requested the attendance of only one, Michael Haddad, the Association's Director of Investigations. In view of the possibility that this decision will be appealed, the District Council's rulings and the reasons for them are summarized in an appendix.

D. Accepted Facts

Most of the facts alleged in the Notices are uncontested. The issues raised in the respondents' Reply, other than those addressed in the Third Ruling, relate to the reasonableness of the investigation and its conduct. The Reply does not deny the basic facts alleged by the Association, and there was no attempt to controvert them at the hearing. As these facts were neither denied in the Reply nor contested at the hearing, the District Council accepts them as proved; see By-laws, para. 20.15.

DSI, a company incorporated in Ontario and located at all material times in Toronto, has been a member of the Association since February 1, 1997. Mr. Kyle is its president, chief executive officer and sole director.

DSI's membership in the Association was initially limited to acting as an introducing broker, which required it to have a "carrying agreement" with a full service commodities dealer who was a member of the Association or The Toronto Futures Exchange (the "TFE"). DSI's carrying agreement terminated on November 1, 1997. As it did not have a new carrying agreement at that time, DSI's membership in the Association was suspended as of that date, with DSI's consent, by an order of the Ontario District Council dated October 31, 1997, pursuant to paragraph 20.33 of the By-laws (Notices, App. A.).

After negotiations with the Association's staff, DSI's membership was reinstated by an order of the Ontario District Council dated December 2, 1997 (the "Reinstatement Order"), again with DSI's consent. The Reinstatement Order, a copy of which accompanied the Notices as Appendix B, imposed eleven terms and conditions on DSI's membership and said that the earlier suspension order would be vacated and the rights and privileges of membership reinstated upon DSI's satisfying the Association's staff that it had complied with the terms and conditions. These included an on-site review of DSI by the Association's staff before DSI resumed business and requirements that DSI maintain minimum risk adjusted capital of $50,000 at all times and that DSI not engage in any principal trading without prior approval of the Association.

The on-site review having been conducted on or about December 8, 1997, the Association's staff advised Mr. Kyle by letter dated December 19, 1997 that DSI's rights and privileges of membership were reinstated and that it could recommence dealing with the public (the "Approval Letter"). The Approval Letter, which accompanied the Notices as Appendix C, also

said that the staff's satisfaction was subject to DSI appointing a second officer and a chief financial officer within specified periods and to DSI complying with the other conditions in the Reinstatement Order.

In December 1997, DSI opened two accounts at the Montreal Institutional Accounts Office of RBC-DS, a full service member of the Association. The two accounts were a margin account which was to be operated as an error account (the "Error Account") and an account holding treasury bills to be used as margin in the event that DSI had to hold an error position overnight. DSI did not receive the Association's approval to conduct principal trading under the Reinstatement Order at any time relevant to these proceedings.

On January 29, 1998, DSI faxed a letter to the Association stating that it resigned from its membership in the Association and from its status as a futures commission merchant because it was unable to maintain the required regulatory capital as a result of a demand from its creditor of a subordinated loan and a current capital deficiency (Joint Book, Tab 10). The Notices, correctly in effect, say that it advised the Association that it "wished to resign its membership"; see the District Council's Third Ruling, 22 O.S.C.B. at 5548. On February 9, 1998, the Ontario District Council, with the consent of DSI, ordered the immediate suspension of DSI's rights and privileges as a member of the Association and directed it to cease dealing with the public (Notices, App. D).

In February 1998, the Association's staff received information relating to possible non-compliance by DSI and Mr. Kyle with the Reinstatement Order and commenced an investigation. Pursuant to its investigation, the staff obtained records from RBC-DS concerning transactions in DSI's Error Account during the period between December 1997 and February 1998. In examining these records, the staff noted two features of the transactions in the Error Account which suggested that DSI and Mr. Kyle had used this account for principal trading contrary to the Reinstatement Order, namely, that there were numerous transactions and many positions were not "closed off" promptly or at all (Notices, para. 22).

In a letter dated April 13, 1998, the Association's staff advised Mr. Kyle that it had commenced an investigation into DSI's operations. In May 1998, pursuant to the investigation, the staff requested documents and other information from Mr. Kyle, but he and DSI did not comply with this request. In June 1998 the staff demanded that Mr. Kyle and DSI comply with the May request, but again they did not comply.

E. Evidence and Findings of Fact

1. The Investigative Process

Both Mr. Welch and Mr. Haddad testified on the Association's normal investigative processes. Most investigations are initiated as a result of a written complaint received by the Association, as the Association requires complaints to be in writing (see By-laws, para. 19.3). Such complaints are sent to the Association's Central Complaints Bureau (the "Bureau") for review. The Bureau analyzes the complaints and obtains information relating to them from the relevant member firm. It then prepares a memorandum containing a recommendation for Mr. Haddad. Mr. Haddad determines whether a formal investigation should be initiated on the basis of the Bureau's memorandum.

If Mr. Haddad decides to initiate an investigation under By-law 19, a letter notifying the subject of the investigation is prepared for the signature of Fredric Maefs, the Director of the Association's Enforcement Division. Mr. Maefs reviews such letters independently before signing them, but the effective decision to open an investigation is usually made by Mr. Haddad.

In a small number of cases, information relating to a possible violation of the Association's rules is obtained by a member of its staff. Mr. Haddad then assigns the matter to an investigator for assessment and the preparation of a recommendation on whether to open an investigation. There is no standard procedure like the Bureau's when a review is not initiated by a complaint. The investigator may make his assessment in light of the relevant circumstances. In these cases too, the decision whether to initiate an investigation rests with Mr. Haddad.

In this case, the latter assessment process was followed. Mr. Haddad assigned the matter to Mr. Welch for review. Although he did not remember Mr. Welch's memorandum or having approved Mr. Welch's recommendation, he testified that he would have approved the recommendation to initiate a formal investigation of DSI under By-law 19. The reasonableness of the investigation thus turns in large part on Mr. Welch's uncontradicted evidence and the documentary exhibits that accompanied it.

2. The Investigation

(a) DSI's Error Account

The investigation initiated by the Association in April 1998 focussed on the trading conducted in DSI's Error Account with RBC-DS. This account, opened in December 1997 as a futures account in DSI's name, was the subject of an internal e-mail message from Erik Nippak, the Association's Manager of Sales Compliance, confirming a conversation on December 19, 1998 with Denis Fouquette, identified as Vice-President, Futures at RBC-DS (Exhibit 7). This message was sent the same day and appears to have preceded the Approval Letter, also dated that day. It said RBC-DS was aware that the Error Account was to be used only for errors attributable to DSI in conducting its business and not for principal trading. It described the second account as a margin account containing $100,000 in T-bills "to be only used by DSI for margin purposes in the event that an error position is carried over night [sic] (i.e. not to be used for personal trading by Robert Kyle) if the position cannot be liquidated at the end of the trading day." It said that if the margin deposit was withdrawn, the Error Account would immediately be closed. Mr. Nippak concluded that these arrangements satisfied the Association's requirement that DSI "maintain an error account and ... have margin on hand."

As Mr. Welch testified, an error account is used to correct errors made by a firm executing trades in securities or commodity futures for its clients. When an error is identified the transaction is put into the error account and "corrected". The correcting transaction is normally made as soon as possible in order to minimize any losses to the firm and to limit

its exposure. The description of DSI's two accounts in Mr. Nippak's message is consistent with the normal operation of an error account.

(b) The Recommendation

Mr. Welch was assigned the DSI matter for review on March 12, 1998, as stated in his evidence and in a memorandum to file dated October 27, 1998 based on his daily diary (Exhibit 1, Tab 1). The assignment was made by Mr. Haddad who provided Mr. Welch with copies of the Reinstatement Order (Exhibit 1, Tab 4), the Approval Letter (Exhibit 1, Tab 5), Association Bulletin No. 2436, dated January 8, 1998, announcing DSI's reinstatement (Exhibit 1, Tab 6) and two e-mail messages dated February 9, 1998 (Exhibit 1, Tab 2) and February 10, 1998 (Exhibit 1, Tab 3) from Maysar Al-Samadi, the Manager of Financial Compliance in the Association's Member Regulation Division.

The February 9 message was to Mr. Maefs. It stated that Mr. Al-Samadi received a call that afternoon from Mr. Fouquette, who said he suspected that DSI was conducting principal trading in its Error Account, although he could not be sure of this without reviewing DSI's trading logs and listening to its recorded telephone conversations. Mr. Al-Samadi had informed Mr. Fouquette of DSI's resignation request and also talked to other members of the Association's staff. The message stated that Greg Clarke, the Association's Senior Vice-President, Member Regulation, "agreed" that immediate action should be taken "to investigate the situation to establish whether DSI had violated the IDA's ban on principal trading" in the Reinstatement Order.

Mr. Al-Samadi's message of February 10 was to Douglas Walker, Manager of Enforcement Counsel. It referred to another call from Mr. Fouquette that morning to the effect that additional trading had increased the short position in DSI's Error Account. The message indicated that such trading was not for the purpose of closing out existing trades; it said that when Mr. Fouquette advised Mr. Kyle that such trades were not permitted, Mr. Kyle responded that he was not subject to the Association's rules, as he had resigned his membership.

Mr. Welch reviewed these messages. He also reviewed a message dated January 29, 1998 from Mr. Al-Samadi to the Canadian Investor Protection Fund ("CIPF") (Exhibit 5) which outlined a call to Mr. Al-Samadi from Mr. Kyle in which Mr. Kyle stated his intention "to resign his membership" in the Association and "close his firm down." It said he informed Mr. Al-Samadi that he had "a big loss on an error position which left him with a possible capital deficiency of around $50,000." The message also said Mr. Kyle confirmed that he had no client accounts on his books. In light of this message of January 29, it is a reasonable inference that any transaction in the Error Account after January 29 would have been a principal transaction by DSI or Mr. Kyle.

In reviewing these documents, Mr. Welch focussed on the possible capital deficiency and the possibility of principal trading by DSI. On March 18, 1998, he contacted Mr. Fouquette by telephone and requested confirmation of the information that he had communicated to Mr. Al-Samadi on February 9 and 10. Mr. Fouquette confirmed both the conversation and his suspicion of principal trading in DSI's Error Account, including the fact that he did not have a firm view of the nature of the transactions. About a week later, on March 26, 1998, Mr. Welch again telephoned Mr. Fouquette and asked him to send trading information on the DSI Error Account. On March 30, 1998, Mr. Welch received from RBC-DS a computer printout of a "Historical Account Statement Inquiry" which was printed on March 26 (Exhibit 1, Tab 1; Exhibit 2).

On April 1, 1998, Mr. Welch called Mr. Fouquette to request additional statements and to ask him a number of questions (Exhibit 1, Tab 1; Exhibit 2). A note of this conversation (Exhibit 4) contains a list of questions, which appear to have been prepared prior to the telephone call, with answers apparently received from Mr. Fouquette. Mr. Welch asked whether DSI's Error Account operated as an error account and whether a particular transaction reflected an error. The answers received to both were "no". Mr. Welch's memorandum of October 27, 1998 states that on April 1 Mr. Fouquette "provided a verbal opinion that the DSI error account was not operating as an error account."

Later the same day Mr. Welch prepared a memorandum concerning his analysis. The memorandum states the purpose of the analysis was to determine whether DSI's Error Account was operated as an error account in accordance with the Reinstatement Order. It summarized the information in Mr. Al-Samadi's e-mails of January 29, February 9 and February 10 and stated that Mr. Welch had reviewed the computer printout received from RBC-DS, analyzed trading in the Error Account for January 8, 1998 and prepared a computer spreadsheet, which accompanied the memorandum, showing the transactions in the Error Account between December 24, 1997 and February 13, 1998. It also referred to comments of Mr. Fouquette when the documents were requested in March "that in his opinion the account was not being operated as an error account."

The memorandum noted that the Error Account had many transactions and that transactions were not being cleared the same day or the day following an initial trade. It found that transactions were not reversing an earlier position in the manner expected in an error account, and gave as an example transactions conducted on January 8, 1998, one of which appeared to relate to an earlier transaction on December 30, 1997. It concluded with a statement of Mr. Welch's belief that the Error Account was "operating and being used for more than error transactions and [that] further investigation is required."

In the District Council's view, the spreadsheet accompanying the memorandum supports these conclusions. As Mr. Welch testified, and as outlined in his April 1 memorandum, it suggests that a position taken on December 30, 1997 was not closed off until January 8, 1998. It also shows a substantial number of transactions which cannot readily be matched with others. These features would not be expected in an error account.

Mr. Welch testified that he recommended further investigation because in reviewing the documentation it appeared that DSI had not complied with the condition in the Reinstatement Order prohibiting principal trading, and also because of the capital deficiency. In his view, there was a possibility of two violations.

On cross-examination, Mr. Welch admitted that he did not know the nature of DSI's client base, how DSI conducted its transactions, the typical size of DSI's transactions or the difference between institutional and retail transactions. He was also unable to comment on DSI's instructions to RBC-DS with respect to the trading shown on the spreadsheet he prepared and was unable to attest to the accuracy of the transactions shown on it. He attributed his inability to address all of these issues to his not having reviewed DSI's books and records.

The memorandum was provided to Mr. Haddad, who accepted the recommendation. Following his acceptance, a letter dated April 13, 1998, signed by Mr. Maefs was sent to Mr. Kyle (Exhibit 1, Tab 8). This letter informed Mr. Kyle that the Enforcement Division had begun an investigation into the operation of DSI pursuant to the Reinstatement Order and that Mr. Welch was the investigator assigned to the file.

(c) Requests for Documents

On May 1, 1998 Mr. Kyle telephoned Mr. Welch, as noted in Mr. Welch's daily diary (Exhibit 2). Relying on contemporaneous notes (Exhibit 3), Mr. Welch testified that while acknowledging that he had received Mr. Maefs' letter of April 13, Mr. Kyle said that he had not engaged in any improper conduct as he had resigned his membership in the Association and was not a member. He requested a copy of the complaint, asked about its origin and was told by Mr. Welch that it had come from compliance. Mr. Kyle said the complaint had originated with RBC-DS and that he would talk to them. He also agreed to supply documentation to Mr. Welch concerning DSI's books and records and said he would photocopy them for him. Mr. Welch confirmed this conversation in a letter dated May 4, 1998 and sent with it a copy of By-law 19 (Exhibit 1, Tab 9).

On May 4, 1998, Mr. Welch and Mr. Kyle had another telephone conversation in which Mr. Kyle again requested a copy of the complaint and the identity of the complainant. Mr. Welch told him he was not entitled to a copy of the complaint but was entitled only to be notified of the investigation and of the matters being investigated, and that Mr. Maefs' letter of April 13 did so by identifying the Reinstatement Order.

Mr. Welch testified that he did not inform Mr. Kyle of the nature of the investigation in any greater detail as he did not wish to limit the scope of his investigation. He said he did not think it appropriate to tell Mr. Kyle that the source of the information was Mr. Fouquette, as he had not himself verified the information. In cross-examination, he said that the Association's policy was not to reveal a complaint or provide a copy of it during an investigation. This was confirmed by Mr. Haddad who testified that if he was asked about the specifics of an investigation, he would seek legal advice, and while he was inclined to provide greater detail than Mr. Kyle was given, his doing so would depend on the circumstances and on the advice received.

Mr. Welch's notes say Mr. Kyle asked many questions seeking information on the complaint (Exhibit 3). The note of this conversation in Mr. Welch's daily diary from May 4 (Exhibit 2) indicates that Mr. Kyle refused to provide copies of books and records without a letter requesting them.

On May 5, 1998, Mr. Welch delivered a letter to DSI addressed to Mr. Kyle in which he requested, on a voluntary basis, that DSI provide him with copies of fourteen categories of "documentation and information". The letter stated that the Association was not relying on paragraph 19.5 of its By-laws to compel production and that Mr. Kyle had no obligation to provide the requested material; it suggested that he might "wish to contact legal counsel" before doing so. Mr. Welch reiterated this suggestion in a conversation with Mr. Kyle later that day.

Mr. Welch testified that the list of items he requested was compiled by him to obtain information he thought necessary to analyze the trading in DSI's Error Account. He reviewed each item contained in the letter and explained his reasons for requesting them. He admitted, in effect, that a number of the requests were duplicative, but he thought them necessary as he was unaware of DSI's recordkeeping practices.

Almost all of the requested items related to DSI's customers and transactions for them with a view to determining whether the trading conducted in the Error Account was required to correct errors in DSI's customer accounts. The few remaining items related to the conduct of DSI's business and the terms of the Reinstatement Order. In the District Council's view the information requested was reasonably related to the purpose of the investigation.

Mr. Welch subsequently received a letter dated May 14, 1998 from Ms. Biggar, on behalf of DSI, requesting a copy of the complaint, clarification of the nature of the investigation and clarification of the authority for the requests of May 5, 1998 (Exhibit 1, Tab 11). He turned this letter over to Mr. Walker, who replied in a letter dated May 22, 1998 (Exhibit 9). Mr. Walker's letter referred to Mr. Maefs' letter of April 13, stated that the investigation had not been initiated on the basis of a complaint received by the Association, referred to By-law 19 and the fact that DSI remained a member of the Association and summarized Mr. Welch's letter of May 5. It did not refer specifically to the possibility of principal trading in the Error Account.

In a letter dated June 5, 1998, Mr. Welch formally requested the documents and information identified in his earlier letter. This letter required DSI and Mr. Kyle, pursuant to paragraph 19.5 of the Association's By-laws, to provide the documentation and information by no later than June 26, 1998 (Exhibit 1, Tab 12).

No documents were received in response to either letter. As a result, in July 1998 Mr. Welch prepared an investigation report recommending that charges be brought against DSI and Mr. Kyle for their failure to comply with the request of June 5, as required by the Association's By-laws.

F. Analysis and Findings

1. The Investigation

The Association's By-laws authorize an investigation on the basis of any information received or obtained relating to the conduct, business or affairs of a member or one of its officers (para. 19.2(iv)). Although this By-law does not expressly so require, the information received by the

Association must provide a reasonable basis for opening an investigation, as is stated in the District Council's Third Ruling (see 22 O.S.C.B. at 5555-56) and as was accepted by counsel for the Association and for the respondents.

The consequence of this conclusion implicitly accepted by both counsel is that the respondents were not required to comply with Mr. Welch's request under paragraph 19.5, if there was not a reasonable basis for the investigation. The issue as presented, therefore, is whether acceptance of the recommendation in Mr. Welch's memorandum of April 1, 1998 was reasonable, which in turn requires an analysis of the standard of reasonableness to be applied and the basis for the recommendation contained in Mr. Welch's memorandum.

Mr. Awad, on behalf of the Association, submitted that the concept of "articulable cause" adopted by the Ontario Court of Appeal in R. v. Simpson, (1993) 12 O.R. (3d) 182 is an appropriate test for determining the reasonableness of the Association's decision to initiate an investigation. Implicitly accepting that the Association bears the onus of demonstrating reasonableness, Mr. Awad analyzed the evidence on the basis of the factors articulated in Simpson, namely, the nature of the duty being performed, the extent of the interference with individual liberty necessitated by its performance, the importance of that performance to the public good, the nature of the liberty interfered with, and the nature and extent of the interference, all in light of the totality of the circumstances. Referring to B.C.S.C. v. Branch, (1995) 123 D.L.R. (4th) 462 (S.C.C.) and the District Council's Third Ruling, 22 O.S.C.B. at 5555, he submitted that in the self-regulatory context, a demand for documents to investigate a possible violation of the Association's requirements represents a minimal interference with the respondents' liberty in view of their low expectation of privacy for business records.

While the concept of articulable cause provides a structure for the analysis of reasonableness, the District Council is of the view that it would impose too strict a test for the issue in this proceeding. The concept of articulable cause assists in determining the justifiability of detention of a citizen by the police; it determines whether an infringement of an individual's liberty resulting from an arbitrary detention can be justified when it provides the basis for a criminal charge. While appropriate to the criminal context, the strictures of this rigorous test are unwarranted in the context of a regulatory or self-regulatory investigation of a registrant in the securities market.

A regulatory investigation does not deprive a person being investigated of liberty or other constitutionally protected rights. The most it does is impose an obligation on the person to provide information. As outlined in the District Council's Third Ruling, a request by the Association that a member provide copies of its books and records does not infringe even a minimal notion of constitutional privacy. In this context, all that is necessary to demonstrate the reasonableness of an Association investigation is that information received by the Association indicates the possibility of a violation of its By-laws or other rules.

The District Council is of the view that this standard was satisfied by Mr. Welch's memorandum of April 1, 1998. Mr. Welch's memorandum listed information available to the Association which indicated a real possibility that DSI's Error Account had been used for principal trading, contrary to the condition in the Reinstatement Order. It summarized Mr. Fouquette's statement to Mr. Al-Samadi, which Mr. Welch had confirmed directly, and trading in the Error Account which also confirmed this suspicion. This is sufficient support for Mr. Haddad's decision to order a formal investigation.

Ms. Biggar, on behalf of the respondents, submitted that Mr. Welch lacked expertise in commodity futures trading and did not have sufficient knowledge to conduct the preliminary review. She argued that his recommendation was arrived at negligently, emphasizing the statement in his memorandum of April 1, 1998 that Mr. Fouquette was of the opinion in March 1998 that DSI's error account was not being operated as an error account. Although this statement is stronger than the suspicion expressed by Mr. Fouquette in February and March, as acknowledged by Mr. Welch in his testimony, it does reflect Mr. Welch's notes of the conversation with Mr. Fouquette on April 1.

In the District Council's view, this submission does not provide a basis for traversing the reasonableness of Mr. Haddad's determination. It is not necessary for the Association, or the District Council, to engage in a detailed analysis of the conduct of a review to determine the reasonableness of a decision to open a formal investigation, or of the recommendation underlying it. It is sufficient that some facts exist suggesting a possible violation. In such circumstances it is reasonable to conduct further investigation to determine whether a violation actually occurred. If such facts are contained in the memorandum, an error by the investigator will not alone render his recommendation or the determination to investigate unreasonable.

Ms. Biggar also based her submission concerning negligence on Mr. Welch's failure to pursue alternatives in his preliminary review which she submitted would have demonstrated that DSI and Mr. Kyle had not committed a violation. She argued that Mr. Welch should have asked Mr. Kyle to explain the transactions, as he himself did not understand them. While an investigator may in some circumstances seek such an explanation, a failure to do so does not of itself demonstrate unreasonableness in opening an investigation. It is not unusual or unreasonable to seek an explanation of the conduct in question as part of the investigation.

Even if an intensive examination of Mr. Welch's review were warranted, the District Council is of the view that the facts examined by him, including Mr. Fouquette's statements to him and the trading in DSI's Error Account shown in the spreadsheet accompanying his memorandum of April 1, 1998, provide a reasonable basis for his recommendation and its acceptance by Mr. Haddad. The function of an error account does not depend on the nature of the instruments traded, as Ms. Biggar implied in her submissions. Whether they are securities or commodities futures, trades in such an account would ordinarily be expected to show a relatively small number of matching transactions on the same day or, on occasion, within a very few days of the initial trade. The trading pattern shown on the spreadsheet reasonably requires an explanation. In the District Council's view, it is reasonable to seek this explanation in the course of an investigation which would involve an analysis of DSI's books and records, as well as an explanation from Mr. Kyle.

Characterizing him as a whistle-blower, Ms. Biggar suggested that Mr. Fouquette may have telephoned Mr. Al-Samadi on February 9, 1998 because of some form of pressure from the Association's staff, possibly arising from the conversation with Mr. Nippak on December 19, 1997, and she intimated that Mr. Welch might have told Mr. Fouquette he was obligated to send him documents relating to DSI's account. She also suggested the possibility of bias. While impropriety on the part of an investigator may be relevant to a showing of unreasonableness, there was no evidence of bias or any other impropriety in connection with the review leading up to Mr. Welch's recommendation. Nor is there any impropriety in an officer of a member firm bringing possible violations of the Association's rules to its attention or cooperating with its staff in an investigation. Indeed, this type of conduct should be encouraged. In any event, once the information was received, the reasonableness of the investigation depends not on Mr. Fouquette's reason for calling the Association, but on the totality of the information known to the Association when it initiated the investigation.

2. Conduct of the Investigation

The Association's By-laws require the Association to give a person who is subject to an investigation notice of that fact. Specifically, paragraph 19.5 requires the Association to advise any person subject to an investigation under By-law 19, in writing, "of the matters under investigation". Ms. Biggar submitted that the Association failed to satisfy this requirement and, in effect, that this failure justified DSI's and Mr. Kyle's failure to satisfy Mr. Welch's requests.

Notice of the investigation was sent to DSI and Mr. Kyle in Mr. Maefs' letter of April 13, 1998 (Exhibit 1, Tab 8). This letter stated that the Enforcement Division had "begun an investigation into the operation of Derivative Services Inc. pursuant to an Order issued by the Association indicating the terms and conditions of your membership, dated December 2, 1997." Ms. Biggar argued that this letter mentioned only the Reinstatement Order, without disclosing the nature of the complaint or the specific matter being investigated. Mr. Kyle had asked for additional information, which was refused by Mr. Welch, and she had requested additional information in her letter of May 14, 1998 (Exhibit 1, Tab 11) which Mr. Walker's responding letter of May 22, 1998 (Exhibit 9) did not provide.

While the District Council accepts that a general statement about an investigation may not always satisfy the requirements of paragraph 19.5, it is of the view that Mr. Maefs' letter of April 13 did. The standard of disclosure required by paragraph 19.5 is an objective one. It is satisfied if the person who is the subject of an investigation is provided with information that would enable a reasonable person to discern the nature of the matters under investigation. Mr. Maefs' letter met this test by referring to the operation of DSI under the terms of the Reinstatement Order. This information was reasonably sufficient to alert Mr. Kyle to the subject of the Association's investigation, namely, the handling of the Error Account with RBC-DS, and appears to have done so.

Although the Reinstatement Order contained eleven conditions, the majority of them had been satisfied prior to DSI's reinstatement. Only a few were prospective or continuing, and most had been approved by the Association's review prior to the Approval Letter of December 19, 1997. The Approval Letter itself dealt with only three conditions. Two required the appointment of new officers and were no longer relevant. The third required compliance with the conditions in the Reinstatement Order.

A reasonable person would have understood that these conditions must have addressed the minimum risk adjusted capital of $50,000 and the requirement that DSI not engage in principal trading without the Association's prior approval, especially in view of the relatively short period of DSI's operation under the terms of the Reinstatement Order. Indeed, Mr. Kyle indicated an understanding of this on May 1, 1998 when he suggested to Mr. Welch that the complaint must have derived from RBC-DS. In these circumstances, regardless of Mr. Kyle's actual understanding, of which there was no evidence adduced by the respondents, the District Council is of the view that the notice requirements in paragraph 19.5 were satisfied.

G. Conclusion

The respondents' defence in this hearing was based exclusively on their submissions concerning the lack of a reasonable basis for the Association's investigation and the inadequacy of the notice of the investigation provided to Mr. Kyle and DSI. They did not attempt to controvert the basic facts alleged in the Notices by adducing evidence or otherwise. For the reasons stated in the preceding section, the District Council has concluded that there was a reasonable basis for the Association's investigation and that the notice in Mr. Maefs' letter satisfied the requirement of paragraph 19.5 of the By-laws.

There is no doubt that the Association initiated an investigation and that Mr. Welch requested Mr. Kyle and DSI to provide documents and other information for the purposes of that investigation (Exhibit 1, Tabs 10 and 12). Nor is there any doubt that Mr. Kyle and DSI failed to do so contrary to the requirements in paragraph 19.5 of the Association's By-laws. On the evidence, the District Council can only conclude that the respondents engaged in conduct that is unbecoming and detrimental to the public interest, contrary to paragraph 29.1 of the By-laws.

The District Council finds that the respondents committed the violations alleged in the Notices. It is necessary, therefore, to convene a further hearing to address penalties.

Much was made during the course of the hearing of Mr. Kyle's requests for a copy of the complaint. Ms. Biggar several times suggested that Mr. Kyle believed he had no continuing obligations to the Association after he submitted the letter of January 29, 1998 indicating DSI's intention to resign from its membership in the Association. This belief on the part of Mr. Kyle is echoed in Mr. Welch's notes of their conversation on May 1, 1998 and in Mr. Al-Samadi's e-mail message of February 10, 1998. But, as Mr. Kyle did not testify at the hearing, the District Council has no direct evidence of this belief or of any explanation for his conduct. Such evidence may be relevant to an appropriate penalty. The District Council is of the view that it would be of assistance to hear from Mr. Kyle, himself, at the penalty hearing.

H. Decision

1. The District Council finds that the respondents committed the violations identified in the Notices.

2. The District Council rules that a penalty hearing be scheduled at the earliest convenient date.

May 5, 2000

Philip Anisman, Chair

Sandra L. Rosch, Member

Bruce S. Schwenger, Member

Appendix: Procedural Rulings

Ruling 1

At the opening of the hearing, Ms. Biggar advised the District Council that she had not been provided with the book of exhibits (Exhibit 1) relating to Mr. Welch's proposed testimony or with a compendium of correspondence between counsel prepared by Mr. Awad. She objected to the introduction of the correspondence. Mr. Awad advised that all of the documents contained in Exhibit 1 had been disclosed previously, and Ms. Biggar conceded that she did not require additional time to review these exhibits.

Mr. Awad stated, at this time and subsequently in the hearing, that the compendium consisted of letters from Ms. Biggar and from counsel for the Association, including Mr. Walker. He said he prepared the compendium to assist counsel in the event that the contents of the letters were put in issue by Ms. Biggar, and he would not attempt to introduce them otherwise. The District Council ruled that it was premature to rule on the letters in general terms but would entertain specific objections to specific items sought to be introduced during the course of the hearing.

In result, only two such letters were introduced. The exhibits relating to Mr. Welch's testimony included a letter dated May 14, 1998 from Ms. Biggar to Mr. Welch (Exhibit 1, Tab 11). Mr. Walker's letter dated May 22, 1998, replying to it was subsequently admitted, with Ms. Biggar's consent, as Exhibit 9.

Ruling 2

In cross-examination, Mr. Welch referred to his daily diary, notes of conversations and other documents not contained in Exhibit 1. Ms. Biggar requested that these documents be produced and also requested copies of all communications between the Association and RBC-DS, which she said she had previously requested. Mr. Awad agreed that she was entitled to the documents referred to by Mr. Welch, but said he had not reviewed all of them and did not have them with him; while he had reviewed the investigation file provided to him in connection with Ms. Biggar's earlier request for other documents, he said he believed it was not the complete investigation file. The District Council ruled that all the documents referred to by Mr. Welch should be produced, and it requested Mr. Awad to review the complete investigation file to determine whether it contained any other relevant documents or any documents relating to Ms. Biggar's request.

The District Council adjourned the hearing to permit the documents mentioned by Mr. Welch to be obtained. As a result, Ms. Biggar was provided with copies of relevant excerpts from Mr. Welch's daily diary (Exhibit 2), Mr. Welch's handwritten notes of conversations with Mr. Kyle on May 1, 4 and 5, 1998 (Exhibit 3), Mr. Welch's handwritten notes of a conversation with Mr. Fouquette on April 1, 1998 (Exhibit 4), an e-mail message dated January 29, 1998 from Mr. Al-Samadi (Exhibit 5), an index of the investigation file concerning the respondents (Exhibit 6) and a copy of the e-mail message dated December 19, 1997 from Mr. Nippak relating to a conversation with Mr. Fouquette (Exhibit 7). Ms. Biggar had an opportunity to review these documents during

the adjournment before she resumed her cross-examination of Mr. Welch.

On the morning of January 12, the next day of the hearing, prior to the completion of Mr. Welch's cross-examination, Mr. Awad informed the District Council that he had reviewed the complete investigation file and had discovered no additional documents.

Ruling 3

At the same time as these requests were made, Ms. Biggar requested the District Council to require Mr. Fouquette to attend and testify on the trading in DSI's Error Account, on the information he provided to the Association concerning it and on the reasons that led him to do so. Ms. Biggar suggested there may have been bias affecting the Association's investigation, although she did not specify its nature. She also wished Mr. Fouquette to provide evidence whether he was told by Mr. Welch that he was obligated under paragraph 19.5 of the By-laws to disclose trading in the Error Account and whether he obtained a legal opinion concerning any such obligation. Ms. Biggar also referred to a transcript of an interview of Mr. Fouquette conducted by Mr. Welch on September 8, 1998, which she said contained statements by Mr. Fouquette inconsistent with those Mr. Welch testified were made by him in March and April, 1998.

The District Council ruled that it would not require Mr. Fouquette to testify because the evidence sought from him did not go to the issues raised in this proceeding, namely, the reasonableness of the investigation, but rather to the actual transactions in DSI's Error Account and to Mr. Fouquette's belief concerning them. It indicated, however, that it was prepared to reconsider this ruling if a basis for requiring Mr. Fouquette's evidence was subsequently shown.

Ruling 4

Ms. Biggar subsequently requested the District Council to require production of the transcript of Mr. Fouquette's interview on September 8, 1998. She said she wished to examine Mr. Fouquette himself, but that if he were not available, the transcript should be admitted to show that his subsequent statements were inconsistent with those relied on by the Association's staff when initiating the investigation of DSI.

The District Council ruled that it would not require the introduction of the transcript in evidence, as the purpose for which it was sought to be adduced also went to the accuracy of what Mr. Fouquette had said and not the issue in this proceeding. Moreover, its introduction was not necessary to test Mr. Welch's testimony or his understanding at the relevant times in April and May, 1998.

Ruling 5

Ms. Biggar then requested that the District Council reconsider its prior ruling with respect to Mr. Fouquette's attendance on the basis of her submissions concerning the transcript, as well as those made the previous day. The District Council denied this request.

Ruling 6

After Mr. Welch completed his testimony, Ms. Biggar asked the District Council to require the attendance of four members of the Association's staff, Mr. Al-Samadi, Mr. Walker, Mr. Nippak and Mr. Clarke.

She submitted that it was important to examine Mr. Al-Samadi to obtain direct evidence of what Mr. Fouquette said in February 1998 about trading in DSI's Error Account in view of the fact that Mr. Al-Samadi's memoranda concerning these conversations triggered the initial review. The District Council denied this request. Mr. Welch testified that he had not spoken with Mr. Al-Samadi but had relied only on his memoranda and had confirmed the information contained in them with Mr. Fouquette, himself. As a result, it was not necessary to call Mr. Al-Samadi to confirm Mr. Welch's direct evidence; nor was Mr. Al-Samadi in a position to controvert it.

In addition, the District Council was of the view that there was no basis for inferring that any impropriety had occurred in the course of the Association's investigation or that Mr. Al-Samadi could provide any evidence on this allegation. This conclusion also informed subsequent rulings concerning Ms. Biggar's requests to require Mr. Walker and Mr. Nippak to testify.

Rulings 7, 8 and 9

Ms. Biggar then advised the District Council that she did not intend to call Mr. Kyle as a witness, but wanted to call Mr. Walker, Mr. Nippak and Mr. Clarke. She said Mr. Kyle had been informed by Mr. Walker, in a telephone conversation in May 1998, that the investigation had been triggered by a complaint. She wished to question Mr. Walker concerning this and concerning the Association's policies on disclosing the basis of an investigation. She also sought to examine him concerning a conversation which was the subject of the e-mail message from Mr. Nippak. The message states that Mr. Walker "was in attendance"; see Exhibit 7.

Ms. Biggar wished to examine Mr. Nippak because he sent the e-mail message of December 19, 1997 (Exhibit 7) to Mr. Al-Samadi, confirming the details of a conversation he had with Mr. Fouquette about DSI's accounts with RBC-DS in connection with the Reinstatement Order and, presumably, the Approval Letter. She wished to examine Mr. Nippak, only if she was not able to examine Mr. Walker.

Ms. Biggar's request to examine Mr. Clarke related to the decision in April 1998 to initiate a formal investigation into DSI's activities. Mr. Welch testified that he submitted a memorandum recommending this investigation to Mr. Haddad. Ms. Biggar expressed her belief that the decision to investigate was made by Mr. Clarke, not Mr. Haddad; for this reason she submitted that she was entitled to examine him, as the person who made the decision.

The District Council ruled on these three requests seriatim. It denied the request to require Mr. Walker's attendance as he had no relevant evidence to provide. In the District Council's view the conversation on December 19, 1997 relating to the handling of DSI's accounts at RBC-DS under the Reinstatement Order was not relevant to the initiation of the investigation in April 1998; it was not necessary to seek

corroboration from Mr. Walker of Association policies on the conduct of investigations; and the alleged conversation with Mr. Kyle was not relevant in view of the fact that Mr. Welch testified that the investigation was not premised on a complaint.

The District Council denied the request to call Mr. Nippak as the conversation on December 19, 1997 was not relevant to the issues before it.

The District Council concluded that it wished to receive evidence from the member of the Association's staff who made the decision to initiate the investigation on the basis of Mr. Welch's April 1 recommendation, whether it was Mr. Clarke or Mr. Haddad. Mr. Awad advised the District Council that Mr. Haddad made this decision and that he was available to testify in accordance with the District Council's Fourth Ruling.

Ruling 10

The District Council adjourned after requesting Mr. Haddad's attendance. When the hearing reconvened, it was advised that Ms. Biggar had met with Mr. Haddad during the adjournment and had an opportunity to ask him questions. Ms. Biggar requested the District Council to declare Mr. Haddad an adverse witness. The District Council ruled that Mr. Haddad would be treated as an adverse witness and Ms. Biggar would be given leeway to ask leading questions and cross-examine him, subject to objections from Mr. Awad.

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Chapter 25

Other Information

THERE IS NO MATERIAL FOR THIS CHAPTER

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