

The Ontario Securities Commission

# OSC Bulletin

August 11, 2000

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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)

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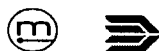
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## Chapter 1

# Notices / News Releases

### 1.1 Notices

### SCHEDULED OSC HEARINGS

#### 1.1.1 Current Proceedings Before The Ontario Securities Commission

August 11, 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  
Suite 1700, Box 55  
20 Queen Street West  
Toronto, Ontario  
M5H 3S8

Telephone: 416-597-0681

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

Date to be announced

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

s. 127 & 127.1

Ms. J. Superina in attendance for staff.

Panel: TBA

Date to be announced

**2950995 Canada Inc., 153114 Canada Inc., Micheline Charest and Ronald A. Weinberg**

s. 127

Ms. S. Oseni in attendance for staff.

Panel: HIW / MPC / RSP

Aug16/2000  
10:00 a.m.

**Noram Capital Management, Inc. and Andrew Willman**

s. 127

Ms. K. Wootton in attendance for staff.

Panel: JAG

Aug22/2000  
10:00 a.m.

**Patrick Joseph Kinlin**

s. 127

Mr. I. Smith in attendance for staff.

Panel: TBA

May 7/2001  
10:00 a.m.

**YBM Magnex International Inc., Harry W. Antes, Jacob G. Bogatin, Kenneth E. Davies, Igor Fisherman, Daniel E. Gatti, Frank S. Greenwald, R. Owen Mitchell, David R. Peterson, Michael D. Schmidt, Lawrence D. Wilder, Griffiths Mcburney & Partners, National Bank Financial Corp., (formerly known as First Marathon Securities Limited)**

s. 127

Mr. I. Smith in attendance for staff.

Panel: HIW / DB / MPC

**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

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 Delloso, 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

PROVINCIAL DIVISION PROCEEDINGS

Date to be announced	<b>Michael Cowpland and M.C.J.C. Holdings Inc.</b>	Oct 16/2000 - Dec 22/2000 10:00 a.m.	<b>John Bernard Felderhof</b>  Mssrs. J. Naster and I. Smith for staff.
	s. 122 Ms. M. Sopinka in attendance for staff.		Courtroom TBA, Provincial Offences Court
	Ottawa		Old City Hall, Toronto
		Dec 4/2000 Dec 5/2000 Dec 6/2000 Dec 7/2000 9:00 a.m. Courtroom N	<b>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</b>
Aug 21/2000 Aug 22/2000 9:00 a.m.	<b>Arnold Guettler, Neo-Form North America Corp. and Neo-Form Corporation</b>		s. 122 Mr. D. Ferris in attendance for staff. Provincial Offences Court Old City Hall, Toronto
	s. 122(1)(c) Mr. D. Ferris in attendance for staff.		
	Court Room No. 124, Provincial Offences Court Old City Hall, Toronto	Jan 29/2001 - Feb 2/2001 9:00 a.m.	<b>Einar Bellfield</b>  s. 122 Ms. K. Manarin in attendance for staff.
			Courtroom C, Provincial Offences Court Old City Hall, Toronto
Aug 22/2000 10:00 a.m. Pre-trial Conference	<b>Dual Capital Management Limited, Warren Lawrence Wall, Shirley Joan Wall</b>		
	s. 122 Ms. J. Superina in attendance for staff.		
Oct 10/2000 - Nov 3/2000 Trial	Court Room No. 9 114 Worsley Street Barrie, Ontario	Reference:	John Stevenson Secretary to the Ontario Securities Commission (416) 593-8145
Aug 28/2000 Sept 18/2000 10:00 a.m.	<b>Glen Harvey Harper</b>		
	s.122(1)(c) Mr. J. Naster in attendance for staff.		
	Courtroom M, Provincial Offences Court Old City Hall, Toronto		

## 1.1.2 CSA Staff Notice 12-304 - National Policy 12-201 Mutual Reliance Review System for Exemptive Relief Applications Frequently Occurring Issues

CSA/ACVM

Canadian  
Securities  
Administrators

Autorités  
canadiennes  
en valeurs  
mobilières

### CANADIAN SECURITIES ADMINISTRATORS STAFF NOTICE 12-304

#### NATIONAL POLICY 12-201 MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS FREQUENTLY OCCURRING ISSUES

National Policy 12-201 *Mutual Reliance Review System for Exemptive Relief Applications* (the "Policy") came into force on January 1, 2000. The Mutual Reliance Review System for Exemptive Relief Applications (the "System") has been very successful and currently the vast majority of multijurisdictional applications are filed under the System.

Over the time the System has been in place Staff has noticed frequently occurring filing practices which, if improved, would result in more efficient and timely processing of applications and therefore better service to filers. These practices are as follows:

#### Expedited Treatment

Subsection 6.3(2) of the Policy provides that non-principal regulator review time will only be abridged in exceptional circumstances. Subsection 8.1(2) of the Policy states that the principal regulator cannot *require* that a non-principal regulator opt in to a proposed decision in less than 7 business days; it can only request that the timing be abridged.

Staff has concerns that filers are requesting abridgements as a matter of course in their applications. Staff would like to stress that abridgements will not be granted unless the filer has made compelling arguments in the application that immediate attention is absolutely necessary and reasonable under the circumstances (s. 6.3(3) of the Policy). Filers must appreciate that, by requesting an abridgement, they are asking staff in all jurisdictions in which the application is filed to consider their applications ahead of other filings that have been submitted on a timely basis. Therefore, filers requesting abridgements must justify why their filings should receive priority over others.

Filers also should provide sufficient information in an application to enable Staff to assess how quickly the application needs to be handled. For example, if the filer has committed to take certain steps (e.g., mail a disclosure document) or has scheduled a board meeting by a specific date and needs to have Staff's view or the decision makers' decision by that date, the filer should identify these time constraints in its application. Abridgements are not automatic and will be considered on a case-by-case basis. If the timing

requested is unreasonable or Staff is not satisfied that an abridgement is warranted, it will not be granted.

While Staff is committed to fostering efficient capital markets and will accommodate transaction timing where possible, filers planning time-sensitive transactions should build regulatory approval time into their transaction schedules that are consistent with the review and decision making timeframes under the System. In particular, Staff would like to emphasize that the imminent expiry of a take-over bid or issuer bid, or a scheduled meeting of securityholders to consider the transaction in respect of which relief has been requested, are not sufficient grounds for requesting expedited treatment, absent a detailed explanation as to why the application process was not commenced sooner. Filers should also be aware that, generally, applications filed outside of the System are co-ordinated among staff of the jurisdictions involved and are not processed more quickly than those filed under the System.

The foregoing discussion is applicable to applications made by mutual funds and other investment funds. In particular, many of the lapse date extensions applications filed since February 1, 2000 (the date of the coming into force of the new mutual fund rules) have not been made in a timely way and filers are routinely asking for extreme abridgements of the MRRS timelines. Mutual funds and other investment funds in continuous distribution must maintain a record of the lapse date applicable to their prospectuses<sup>1</sup> and should consider whether a lapse date extension will be necessary well in advance of the applicable lapse date. The imminent lapse date of an investment fund's prospectus is not sufficient grounds for requesting expedited treatment, in the absence of a detailed explanation as to why the application process was not commenced sooner. Inadvertence will not always be a sufficient explanation.

#### Timeliness of Applications

Staff has noted that, in many circumstances, filers are not filing applications on a timely basis. For example, Staff has received applications requesting relief from disclosure requirements applicable to take-over bid circulars after the circular has been mailed to shareholders. Filers are cautioned to commence the application process sufficiently far in advance of the proposed transactions or timelines giving rise to the need for relief to ensure that the requested relief is obtained in time. In many jurisdictions retroactive relief will not be granted.

Furthermore, investment fund applications are also often not made on a timely basis. For example, applications for relief from the requirements of National Instrument 81-102 *Mutual Funds* to permit a new mutual fund to follow a particular strategy or structure are often filed well after the date that a preliminary prospectus for the new mutual fund has been filed. Delays in filing an essential application by mutual fund filers can cause delays in the finalization of the related prospectus

<sup>1</sup> The lapse date for prospectuses filed in Ontario and Quebec is based on the date of the receipt for the last final prospectus filed by the mutual fund. The lapse date in all other provinces is generally earlier – and is based on the date of the last final prospectus of the mutual fund.

filing. Because applications are not made on a timely basis, Staff often find themselves pressured to give these applications attention in preference to previously filed applications. This leads to "queue jumping" by mutual fund filers, which is not desirable.

### Relief from the Financial Statement Filing Requirements

Filers are reminded that applications for relief from the financial statement filing requirements should be filed sufficiently in advance of the filing deadline to give Staff and decision makers the time to consider the application and, if appropriate, grant the relief prior to the deadline.

### Prefiling Discussions

Filers are reminded that they should use the procedures set out in Part 4 of the Policy for any prefilings related to a proposed application to be filed under the System.

### More than One Principal Regulator

Subsection 5.2(2) of the Policy contains a number of examples of situations where a filer may require more than one principal regulator for an application. In particular, if no relief is needed in the principal jurisdiction under a head of relief, the filer must prepare a second draft decision document and choose a second principal regulator to deal with that aspect of the application. A principal regulator will not consider an application where no relief is necessary in that jurisdiction under a particular head of relief.

By way of example:

- A. An issuer, with a head office in jurisdiction A and which is a reporting issuer in jurisdiction A, wishes to be deemed to be a reporting issuer in jurisdictions B, C, and D and also needs relief from the registration and prospectus requirements in jurisdictions A, B, C and D.

Under the Policy, the issuer's principal regulator is jurisdiction A. Therefore, the issuer should make its application for relief from the registration and prospectus requirements in jurisdictions A, B, C and D under the System with jurisdiction A as the principal regulator. The application to be deemed a reporting issuer is not necessary in jurisdiction A (i.e. no relief is needed under that head of relief). Therefore the issuer should select one of jurisdictions B, C or D (under s. 3.2 of the Policy) to act as principal regulator for that aspect of the application. All of the relief necessary could be described in one application but two draft decision documents should be provided (one for each principal regulator).

Alternatively, the filer may wish to request a change of principal regulator to a jurisdiction in which all of the relief is needed.

- B. An issuer, with a head office in jurisdiction A, needs relief from the registration and prospectus requirements in jurisdictions A, B, C and D. However, the amount of relief needed in each jurisdiction varies. In jurisdiction A, relief is needed for one small aspect of the transaction, whereas in jurisdictions B, C and D, relief

is needed for a number of trades. In this case, notwithstanding that some of the trades are exempt under the securities laws in jurisdiction A, jurisdiction A will act as principal regulator and will grant prospectus and registration relief for all of the trades because some relief is needed under the prospectus and registration head of relief in jurisdiction A. This is an example of the transaction based approach referred to in clause 5.2(2)(c) of the Policy.

### Requests for Confidentiality

Filers are reminded that section 5.3 of the Policy sets out the procedures to be followed in order to request confidentiality for an application or a decision document. As part of the application, the filer must provide submissions as to why making the document public could result in serious prejudice, why confidentiality is reasonable and not contrary to the public interest and must provide proposed timelines for the lifting of any decision to grant confidentiality. If such submissions are not made, the request for confidentiality will not be considered and the application and decision document will be made public.

Filers should also be aware that the securities legislation of certain jurisdictions set out requirements that must be met by applicants seeking confidentiality of a filing. In addition, filers should familiarise themselves with other existing legislation in jurisdictions that could impact upon any decision to grant confidentiality.

### Fees

Until further notice, all applications for relief from the fee requirement in the jurisdictions will be processed outside of the System.

### Other Concerns with Applications

Significant numbers of applications do not contain a detailed explanation of the reasons for the relief requested and do not contain a reliable table of concordance illustrating the applicable sections where relief is necessary. All applications must contain enough analysis for Staff to be able to determine: (i) which sections are applicable; (ii) why the particular transaction will contravene the applicable sections; and (iii) why the particular relief should be granted. Filers should ensure that the draft decision document filed with an application recites all relevant facts necessary for decision making by the applicable decision makers. Draft decision documents should be consistent with the most recent MRRS precedent published.

### Reference

Any questions or comments concerning this notice should be directed to any member of the CSA Mutual Reliance Review System for Exemptive Relief Applications Committee as follows:

Dean Murrison, Committee Chair  
Saskatchewan Securities Commission  
Telephone: 306-787-5879  
e-mail: [dmurrison@ssc.gov.sk.ca](mailto:dmurrison@ssc.gov.sk.ca)



Margaret Sheehy or Brenda Leong  
British Columbia Securities Commission  
Telephone: (604) 899-6650 / (604) 899-6642  
e-mail: [msheehy@bcsc.bc.ca](mailto:msheehy@bcsc.bc.ca)  
[bleong@bcsc.bc.ca](mailto:bleong@bcsc.bc.ca)

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Shirley Lee  
Nova Scotia Securities Commission  
Telephone: (902) 424-5441  
e-mail: [leesp@gov.ns.ca](mailto:leesp@gov.ns.ca)

Any questions or comments of investment fund filers whose principal jurisdiction is the Ontario Securities Commission should contact:

Paul Dempsey  
Ontario Securities Commission  
Telephone: (416) 593-8118  
e-mail: [pdempsey@osc.gov.on.ca](mailto:pdempsey@osc.gov.on.ca)

## 1.2 News Releases

### 1.2.1 Price Warner Securities Ltd., Ian Rolin and Lorne Rolin - Commission Approves Settlement with Significant Sanctions

August 3, 2000

#### COMMISSION APPROVES SETTLEMENT WITH SIGNIFICANT SANCTIONS AGAINST PRICE WARNER SECURITIES LTD., IAN ROLIN AND LORNE ROLIN

Toronto - At the hearing today, the Ontario Securities Commission (the "Commission") approved a settlement entered into between Staff of the Commission, Price Warner Securities Ltd. ("Price Warner"), Ian Rolin and Lorne Rolin.

On July 27, 2000 the Commission issued a Notice of Hearing against Price Warner, a registered securities dealer, Ian Rolin, the President, compliance officer and a director of Price Warner, and Lorne Rolin, an officer of Price Warner. During the period from 1996 to 1999, Ian Rolin owned approximately 80% of Price Warner and directed its business, while Lorne Rolin owned approximately 20% of Price Warner.

#### Principal Trading by Price Warner With its Clients at Excessive Mark-Ups

In the settlement entered into between Staff and Price Warner, Ian Rolin and Lorne Rolin, the respondents admitted to the following:

- During the period from 1996 to 1999, Price Warner acquired stock for its own account in thirteen issuers (the "Thirteen Issuers") trading on the Canadian Dealing Network Inc., and re-sold that same stock to its clients (referred to as "principal trading") at excessive mark-ups. In excess of 90% of Price Warner's revenue was earned from principal trading and derived from trading stock of the Thirteen Issuers (as particularized in the settlement agreement).
- In the case of the Thirteen Issuers, Price Warner either held stock in its inventory or had exercised option agreements to acquire the stock in the issuers immediately prior to the commencement of principal trading in the stock with its clients;
- Price Warner acquired stock in the Thirteen Issuers at prices significantly lower than the selling price to its clients;
- Price Warner re-sold this stock to its own clients at mark-ups above acquisition costs ranging from approximately 112% to 574%, which mark-ups were admitted by the respondents to be excessive.
- During the three year period 1996-1999, Price Warner's gross revenue (i.e., revenue from the sale of stock less acquisition costs) earned from principal trading with stock of the Thirteen Issuers was approximately \$26.4 million.

#### Commission's Approval of Settlement

In approving the settlement, the Commission noted Price Warner's admission that in engaging in the conduct described above, Price Warner may have placed itself in a conflict of interest and that the firm's conduct was contrary to the public interest. The Commission also noted admissions by Ian Rolin and Lorne Rolin that by allowing Price Warner to engage in this conduct, each of these officers acted contrary to the public interest. The Commission further stated that it can be inferred on the basis of the facts admitted to in the settlement, that Price Warner may have breached Rule 31-505 of the *Securities Act* to deal fairly, honestly and in good faith with its clients.

The Commission reprimanded Price Warner, Ian Rolin and Lorne Rolin. The Commission ordered that the registration of Price Warner be suspended effective 5:00 p.m. on Friday, August 11, 2000, and that Price Warner is to wind up its business by that time. The Commission also imposed terms and conditions on Price Warner's registration, to ensure that the firm's affairs are wound up in an orderly manner, and in a way that will offer the best possible protection to clients of the firm. Prior to the close of business on Friday, August 11, 2000, Price Warner is required to return to clients cash and/or securities or transfer clients' securities and cash to a firm that is a member of the Investment Dealers Association of Canada.

By the terms of the Order, the registration of Ian Rolin is suspended for a period of fifteen years, and Ian Rolin is prohibited, for a period of fifteen years, from applying for registration in any capacity with the Commission, or for acting as an officer, director or promoter, or owning greater than 20% of a reporting issuer. Ian Rolin is prohibited for the rest of his life from being involved directly in the management of a registrant, and is prohibited for the rest of his life from owning, directly or indirectly, more than a 20% interest in any registered firm.

By the terms of the Order, the registration of Lorne Rolin is suspended for a period of seven years, and Lorne Rolin is prohibited, for a period of seven years, from applying for registration in any capacity with the Commission, or for acting as an officer, director or promoter, or owning greater than 20% of a reporting issuer. Lorne Rolin is prohibited for a period of seven years from being involved directly in the management of a registrant, and from owning, directly or indirectly, more than a 20% interest in any registered firm.

Finally, the respondents were ordered to pay the sum of \$25,000 to the Commission in respect of a portion of the Commission's costs of investigating the matter.

Copies of the Notice of Hearing, Statement of Allegations, the Order of the Commission made on August 3, 2000, the Settlement Agreement and the agreement amending the Settlement Agreement, can be obtained from the Commission, 17<sup>th</sup> Floor, 20 Queen Street West, Toronto, Ontario, or are available on the Commission's web site at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

**References:**

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

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

**1.2.2 Gordon-Daly Grenadier Securities, David Bregman, Alan Greenberg, Oron Sternhill and Wangyal Tulotsang - Commission Approves Settlement**

August 9, 2000

**COMMISSION APPROVES SETTLEMENT WITH SIGNIFICANT SANCTIONS AGAINST GORDON-DALY GRENADIER SECURITIES, DAVID BREGMAN, ALAN GREENBERG, ORON STERNHILL AND WANGYAL TULOTSANG**

**Toronto** - At a hearing held today, the Ontario Securities Commission (the "Commission") approved a settlement entered into between Staff of the Commission, Gordon-Daly Grenadier Securities ("Gordon-Daly"), David Bregman ("Bregman"), Alan Greenberg ("Greenberg"), Oron Sternhill ("Sternhill") and Wangyal Tulotsang ("Tulotsang"). On July 27, 2000, the Commission issued a Notice of Hearing and Statement of Allegations against Gordon-Daly, a registered securities dealer, Bregman, Greenberg, Sternhill and Tulotsang.

Bregman is registered as an officer of Gordon-Daly, and is the "executive partner" of Gordon-Daly. Greenberg is registered as an officer of Gordon-Daly, and is the "executive general partner" of Gordon-Daly. Sternhill is registered as an officer of Gordon-Daly and is the "executive partner" of Gordon-Daly. Tulotsang was registered under Ontario securities law as an officer of Gordon-Daly during the period from March 10, 1998 to December 16, 1999, and was during this time, the controller and the compliance officer of Gordon-Daly.

**Admissions Made by the Respondents and Accepted by the Commission**

In the settlement agreement approved by the Commission, the respondents admitted the following:

- During the period from 1996 to 1999, Gordon-Daly acquired stock for its own account in thirteen issuers (the "Thirteen Issuers") trading on the Canadian Dealing Network Inc., and re-sold that same stock to its clients (referred to as "principal trading") at excessive mark-ups;
- In excess of 90% of Gordon-Daly's revenue was earned from principal trading derived from trading stock of Thirteen Issuers;
- In the case of the Thirteen Issuers, Gordon-Daly either held stock in its inventory or had exercised option agreements to acquire the stock in the issuer immediately prior to the commencement of principal trading in the stock with its clients;
- Gordon-Daly acquired stock in the Thirteen Issuers at prices significantly lower than the selling price to its clients;
- Gordon-Daly re-sold this stock to its own clients at mark-ups above acquisition costs ranging from approximately 56% to approximately 324%, which

mark-ups were admitted by the respondents to be excessive;

- During the three year period 1996 - 1999, Gordon-Daly's gross revenue (i.e., revenue from the sale of stock less acquisition costs) earned from principal trading in the stock of the Thirteen Issuers was approximately \$31 million;
- Sternhill and Bregman made statements in applications for approval by Gordon-Daly to act as market-maker for a number of the Thirteen Issuers, in accordance with Form 41 of the Ontario *Securities Act*, that in a material respect and in light of the circumstances under which the statements were made, were misleading or untrue, in breach of Ontario securities law, and contrary to the public interest;
- Gordon-Daly failed to keep such books, records and other documents as required by Ontario securities law.

#### Commission's Approval of Settlement

In approving the settlement, the Commission noted the admissions by the respondents referred to above. In considering the factual admissions made by the respondents, the Commission found that the respondents:

"did in fact fail to deal fairly, honestly and in good faith with their clients, and did breach Ontario securities law in this respect, and that they did not, in fact, act in the best interests of their clients".

The Commission further noted that, in their view, the mark-ups were exorbitant.

The Commission reprimanded Gordon-Daly and its officers. The Commission ordered that the registration of Gordon-Daly be suspended thirty days from the Order, and that Gordon-Daly is to wind up its business by that time. The Commission also imposed terms and conditions on Gordon-Daly's registration, to ensure that the firm's affairs are wound up in an orderly manner, and in a way that will offer the best possible protection to clients of the firm. Clients of Gordon-Daly may instruct the firm to deliver to them any cash and/or securities being held by the firm on their behalf. Alternatively, clients may instruct Gordon-Daly to transfer their account to any firm that is a member of the Investment Dealers Association of Canada.

By the terms of the Order which approved the Settlement Agreement, the registration of Bregman is suspended for a period of sixteen years, and the registration of each of Greenberg and Sternhill is suspended for a period of fifteen years. In addition, Bregman, for a period of sixteen years, and Greenberg and Sternhill for a period of fifteen years, are each prohibited from applying for registration in any capacity with the Commission, and prohibited from acting as an officer, director or promoter, or owning, collectively or singly, greater than 20% of a reporting issuer. As of ninety days from the date of the Commission's Order, Bregman, Greenberg and Sternhill are prohibited for the rest of their lives from being involved directly or indirectly in the management of a registrant, and are prohibited for the rest of their lives from

owning, directly or indirectly, collectively or singly, more than a 20% interest in any registered firm.

In addition, the trading privileges of Bregman and Sternhill have been removed for a period of three years, and in the case of Greenberg, for a year.

By the terms of the Order which approved the Settlement Agreement, the registration of Tulotsang is suspended for two years, and Tulotsang is prohibited for two years from applying for registration in any capacity with the Commission, acting as an officer, director or promoter, or being involved directly or indirectly in the management of a registrant or a reporting issuer, and prohibited from owning, directly or indirectly, singly, or in conjunction with Messrs. Bregman, Greenberg and Sternhill, greater than a 20% interest in any registrant or a reporting issuer for a period of two years. Tulotsang is also required to successfully complete certain courses prior to any application for registration following the two year period in which his registration is suspended.

Finally, the respondents were ordered to pay the sum of \$25,000 to the Commission in respect of a portion of the Commission's costs of investigating the matter.

The Commission wishes to acknowledge the valuable assistance of the Toronto Stock Exchange to the Commission during the investigation of this matter.

Copies of the Notice of Hearing, Statement of Allegations, the Order of the Commission made on August 9, 2000, the Settlement Agreement and the Commission's Decision and Reasons can be obtained from the Commission, 19<sup>th</sup> Floor, 20 Queen Street West, Toronto, Ontario, or are available on the Commission's web site at [www.osc.gov.on.ca](http://www.osc.gov.on.ca).

#### References:

Rowena McDougall  
Sr. Communications Officer  
(416) 593-8117

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

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## Chapter 2

# Decisions, Orders and Rulings

### 2.1 Decisions

#### 2.1.1 Price Warner Securities Ltd., Ian Rolin and Lorne Rolin - s. 127(1) and 127.1

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

AND

IN THE MATTER OF  
PRICE WARNER SECURITIES LTD.  
IAN ROLIN AND LORNE ROLIN

ORDER  
(Subsections 127(1) and 127.1)

**WHEREAS** on July 27, 2000, the Ontario Securities Commission (the "Commission") issued a notice of hearing pursuant to subsections 127(1) and 127.1 of the *Securities Act* (the "Act") in respect of Price Warner Securities Ltd. ("Price Warner"), Ian Rolin and Lorne Rolin (collectively, the "Respondents");

**AND WHEREAS** Price Warner, Ian Rolin and Lorne Rolin entered into a settlement agreement dated July 27, 2000 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

**AND WHEREAS** Staff of the Commission and the Respondents agreed to amend certain terms of the Settlement Agreement by agreement dated August 3, 2000 (the "Amending Agreement");

**AND UPON** reviewing the Settlement Agreement, the Amending Agreement and the Statement of Allegations of Staff of the Commission, and upon hearing submissions from counsel for Price Warner, Ian Rolin and Lorne Rolin and from Staff of the Commission;

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

#### IT IS ORDERED THAT:

- (1) the Settlement Agreement dated July 27, 2000 and the Amending Agreement dated August 3, 2000, attached to this Order, are hereby approved;
- (2) pursuant to clause 6 of subsection 127(1) of the Act, Price Warner, Ian Rolin and Lorne Rolin are hereby reprimanded;

(3) pursuant to clause 1 of subsection 127(1) of the Act, the registration of each of Price Warner, Ian Rolin for a period of fifteen years, and Lorne Rolin for a period of seven years, is hereby suspended, effective 5:00 p.m. on August 11, 2000;

(4) Price Warner shall, prior 5:00 p.m. on August 11, 2000, send to each of its clients a letter substantially in the form attached as Schedule "B1" to the Settlement Agreement;

(5) pursuant to clause 1 of subsection 127(1) of the Act, the following terms and conditions are hereby imposed upon the registration of Price Warner:

- (a) the registrant will not act as principal or as agent in the trading of any securities to a client of the registrant;
- (b) the registrant shall, by the date of suspension, cease to carry on its activities as a securities dealer;
- (c) the registrant shall limit 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 those securities and balances to a firm that is a member of the Investment Dealers Association of Canada (the "IDA"). The return of all clients' securities and free credit balances or the transfer of those securities and balances to a firm that is a member of the IDA must be completed prior to the effective date of suspension of the registration of the registrant.
- (d) the registrant shall file the following documents with the Manager of Compliance of the Ontario Securities Commission ("the Manager") on the following dates:
  - (i) on November 16, 2000, a balance sheet of the registrant reported thereon by the registrant's independent auditor without qualification as at the date of suspension, or such other date as may be agreed upon between the registrant and the Manager; and
  - (ii) on December 1, 2000, a comfort letter prepared by the registrant's independent auditor in accordance with section 5815 of the CICA Handbook confirming that the financial obligations of Price Warner to its clients have been discharged;

(e) in the course of transferring client accounts to a firm that is a member of the IDA, the registrant shall 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;

(f) the registrant will not:

- (i) reduce its share capital in any manner, including the redemption, re-purchase or cancellation of any of its shares; or
- (ii) reduce or repay any indebtedness which has been subordinated; or
- (iii) directly or indirectly make any payments, including payments by way of reimbursement for services rendered, loan, advance, bonus, dividend, repayment of capital or other distribution to:
  - (a) any director, officer, partner or shareholder of the registrant; or
  - (b) any related, associated or affiliated person or company of the registrant or of any such person; or
  - (c) any director, officer, partner or shareholder of such a related, associated or affiliated person or company; or
- (iv) increase its capital assets as defined pursuant to section 3060 of the CICA Handbook unless pursuant to a commitment entered into prior to July 12, 2000;

until such time as the registrant files with the Manager of Compliance of the Ontario Securities Commission an auditor's comfort letter in accordance with section 5815 of CICA Handbook confirming that Price Warner's financial obligations to its clients have been discharged; and

(6) pursuant to clause 127.1(2)(b) of the Act, the respondents are ordered to pay \$25,000 by certified cheque to the Commission no later than Thursday, August 17, 2000.

August 3<sup>rd</sup>, 2000.

"Howard I. Wetston"

"Morley P. Carscallen"

"J. F. Howard"

## 2.1.2 Price Warner Securities Ltd., Ian Rolin and Lorne Rolin - Settlement Agreement

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

AND

IN THE MATTER OF  
PRICE WARNER SECURITIES LTD.,  
IAN ROLIN AND LORNE ROLIN

### SETTLEMENT AGREEMENT

#### I. INTRODUCTION

1. By notice of hearing dated July 27, 2000 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider whether, pursuant to sections 127(1) and 127.1 of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act"), it is in the public interest for the Commission to make an order:

- (i) that the registration of Price Warner Securities Ltd. ("Price Warner") Ian Rolin and Lorne Rolin (together referred to as the "respondents") be suspended or restricted for such time as the Commission may direct, or be terminated, or be subject to such terms and conditions as the Commission may order;
- (ii) that trading in securities by the respondents cease permanently or for such other period as specified by the Commission;
- (iii) that the respondents Ian Rolin and Lorne Rolin, or either of them, be prohibited from becoming or acting as a director or officer of any issuer;
- (iv) that the respondents, or any of them, be reprimanded;
- (v) that the respondents, or any of them, pay costs to the Commission; and/or
- (vi) such other order as the Commission considers appropriate.

#### II. JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agree to recommend settlement of the proceeding initiated in respect of the respondents by the Notice of Hearing in accordance with the terms and conditions set out below. The respondents consent to the making of an order against them in the form attached as Schedule "A" on the basis of the facts set out below.

### III. STATEMENT OF FACTS

#### Acknowledgment

3. Staff and each of the respondents agree with the facts set out in this Part III for the purpose of this proceeding only.

#### Facts

4. The Respondent, Price Warner is, and was at all material times, registered under Ontario securities law as a securities dealer. The Respondent, Ian Rolin, is and was at all material times, registered under Ontario securities law and is the President, compliance officer and a director of Price Warner. The Respondent, Lorne Rolin, is and was at all material times, registered under Ontario securities law and is an officer of Price Warner.

5. During the period from 1996 to 1999 (the "material time"), virtually all of Price Warner's business consisted of it acquiring stock for its own account and selling that stock to its clients (referred to below as "principal trading"). The business described below was directed by Ian Rolin. During the material time, Ian Rolin owned approximately 80% of Price Warner and Lorne Rolin owned approximately 20% of Price Warner.

6. During the period from 1996 to 1999, approximately 90% of Price Warner's revenue was derived from principal trading in the stock of thirteen issuers (the "Thirteen Issuers"), referred to below, all of which traded on the Canadian Dealing Network Inc. (the "CDN"). As outlined below, in the case of eleven of the Thirteen Issuers, Price Warner, or Price Warner together with another securities dealer, accounted for more than 93% of the reported trading of stock of the Thirteen Issuers on the CDN. The Thirteen Issuers are as follows:

1. Active Control Technology Inc.
2. AMT Fine Foods Ltd.
3. Champion Gold Resources Inc.
4. CTM Cafés Inc.
5. Forsys Corporation
6. Gemstar Communications Inc.
7. GolfNorth Properties Inc.
8. Infolink Technologies Ltd.
9. Microlab Online Inc.
10. Partner Jet Corp.
11. Racad Technologies Ltd.
12. SFP Communications Group Inc.
13. Triangle Multi-Services Corporation

7. In the case of the Thirteen Issuers, Price Warner either held stock in its inventory or had exercised option agreements to acquire the stock in the issuer immediately prior to the commencement of principal trading in the stock with clients. Price Warner acquired stock in the Thirteen Issuers at prices significantly lower than the selling price to its clients. Price Warner re-sold the stock to its own clients at mark-ups above acquisition costs ranging from 112% to 574%, which mark-ups were excessive.

8. During the material time, Price Warner's gross revenue (i.e., revenue from sale of stock less acquisition costs) earned from principal trading in the stock of the Thirteen Issuers was approximately \$26.4 million.

9. Particulars of the principal trading in the Thirteen Issuers by Price Warner are set out in Schedule "C", attached.

#### Conduct of the Respondents Contrary to the Public Interest

10. In engaging in the conduct described above, Price Warner may have placed itself in a conflict of interest with its clients. Its conduct was therefore contrary to the public interest.

11. In allowing Price Warner to engage in the conduct set out above, Ian Rolin, as an officer registered under Ontario securities law, acted in a manner contrary to the public interest.

12. In allowing Price Warner to engage in the conduct set out above, Lorne Rolin, as an officer registered under Ontario securities law, acted in a manner contrary to the public interest.

### IV. TERMS OF SETTLEMENT

13. The respondents agree to the following terms of settlement:

1. the respondents will be reprimanded by the Commission;

2. within seven business days from the date of approval of this settlement, Price Warner will have sent to each of its clients a letter in the form attached as Schedule "B";

3. the registration of each of Price Warner, Ian Rolin, for a period of fifteen years and Lorne Rolin, for a period of seven years, will be suspended sixty days from the approval of this Settlement Agreement;

4. the following terms and conditions will be imposed upon the registration of Price Warner (hereinafter also referred to as the "registrant"), effective on the date of approval of this Settlement Agreement and continuing for the duration of Price Warner's registration:

- (a) the registrant will not act as principal or as agent in the purchase or sale of any securities to a client of the registrant;

- (b) the registrant shall, on the effective date of the suspension, cease to carry on its activities as a securities dealer;

- (c) the registrant shall limit 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 those securities and balances to a firm that is a member of the Investment Dealers' Association of Canada (the "IDA"), upon the request of the client. The return of all clients' securities and free credit balances or the transfer of those securities and balances to a firm that is a member of the IDA, upon the request of the client, must be completed prior to the effective date of suspension of the registration of the registrant;

(d) the registrant shall file the following documents with the Manager of Compliance of the Ontario Securities Commission ("the Manager") on the following dates:

(i) thirty days after the effective date of suspension, a balance sheet of the registrant reported thereon by the registrant's independent auditor without qualification as at the effective date of suspension, or such other date as may be agreed upon between the registrant and the Manager; and

(ii) forty-five days after the effective date of suspension, or such other date as may be agreed upon between the registrant and the Manager, a comfort letter prepared by the registrant's independent auditor in accordance with section 5815 of the CICA Handbook confirming that the financial obligations of Price Warner to its clients have been discharged.

(e) in the course of transferring client accounts to a firm that is a member of the IDA, the registrant shall 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;

(f) The registrant will not:

(i) reduce its share capital in any manner, including the redemption, re-purchase or cancellation of any of its shares; or

(ii) reduce or repay any indebtedness which has been subordinated; or

(iii) directly or indirectly make any payments, including payments by way of reimbursement for services

rendered, loan, advance, bonus, dividend, repayment of capital or other distribution to:

(a) any director, officer, partner or shareholder of the registrant; or

(b) any related, associated or affiliated person or company of the registrant or of any such person; or

(c) any director, officer, partner or shareholder of such a related, associated or affiliated person or company;

(iv) increase its capital assets as defined pursuant to section 3060 of the CICA Handbook unless pursuant to a commitment entered into prior to July 12, 2000;

until such time as the registrant files with the Manager of Compliance of the Ontario Securities Commission an auditor's comfort letter in accordance with section 5815 of CICA Handbook confirming that Price Warner's financial obligations to its clients have been discharged.

5. The respondent, Ian Rolin will undertake to the Commission the following, from the date of approval of the settlement by the Commission;

(i) Ian Rolin will not, for a period of fifteen years, apply for registration in any capacity under Ontario securities law;

(ii) Ian Rolin will not, at any time in the future, be involved directly in the management of a registrant;

(iii) Ian Rolin will not, at any time in the future, own, directly or indirectly, greater than a 20% interest in any registrant; and

(iv) Ian Rolin will not, for a period of fifteen years, act as an officer, director, promoter, or own greater than 20% of a reporting issuer;

6. The respondent, Lorne Rolin will undertake to the Commission the following, from the date of approval of the settlement, by the Commission:

(i) Lorne Rolin will not, for a period of seven years, apply for registration in any capacity under Ontario securities law;

(ii) Lorne Rolin will not, for a period of seven

years, be involved directly in the management of a registrant;

- (iii) Lorne Rolin will not, for a period of seven years, own, directly or indirectly, greater than a 20% interest in any registrant; and
- (iv) Lorne Rolin will not, for a period of seven years, act as an officer, director, promoter, or own greater than 20% of a reporting issuer; and

- 7. the respondents will make a payment of \$25,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

#### V. STAFF COMMITMENT

- 14. If this settlement is approved by the Commission, Staff will not initiate any complaint to the Commission or request the Commission to hold a hearing or issue any other order in respect of any conduct or alleged conduct of the respondents in relation to the facts set out in Part III of this agreement.
- 15. If this settlement is approved by the Commission, Staff will not initiate any other proceeding against the respondents in relation to the facts set out in Part III of this agreement.

#### VI. PROCEDURE FOR APPROVAL OF SETTLEMENT

- 16. Approval of the settlement set out in this agreement shall be sought at the public hearing of the Commission scheduled for August 3, 2000, or such other date as may be agreed to by Staff and the respondents, in accordance with the procedures described in this agreement.
- 17. Staff and the respondents agree that if this agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting the respondents in this matter, and the respondents agree to waive their rights to a full hearing and appeal of the matter under the Act.
- 18. Staff and the respondents agree that if this settlement is approved by the Commission, no party to this agreement will make any public statement inconsistent with this agreement.
- 19. If, at the conclusion of the settlement hearing, and for any reason whatsoever, this settlement is not approved by the Commission or an order in the form attached as Schedule 'A' is not made by the Commission:
  - (a) each of Staff and the respondents will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations, unaffected by this agreement or the settlement negotiations;
  - (b) the terms of this agreement will not be referred to in any subsequent proceeding, or disclosed to

any person, except with the written consent of Staff and the respondents or as may be required by law; and

- (c) the respondents agree that they will not, in any proceeding, refer to or rely upon this agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

#### VII. DISCLOSURE OF AGREEMENT

- 20. Counsel for Staff or for the respondents may refer to any part or all of this agreement in the course of the hearing convened to consider this agreement. Otherwise, this agreement and its terms will be treated as confidential by all parties to the agreement until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission, except with the written consent of all parties or as may be required by law. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

#### VIII. EXECUTION OF SETTLEMENT AGREEMENT

- 21. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

DATED this 27<sup>th</sup> day of July, 2000.

PRICE WARNER SECURITIES LTD..

"IAN ROLIN"

"LORNE ROLIN"

STAFF OF THE ONTARIO SECURITIES  
COMMISSION

**SCHEDULE "A"**

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

**AND**

**IN THE MATTER OF  
PRICE WARNER SECURITIES LTD.  
IAN ROLIN AND LORNE ROLIN**

**ORDER**

**(Subsections 127(1) and 127.1)**

**WHEREAS** on July 27, 2000, the Ontario Securities Commission (the "Commission") issued a notice of hearing pursuant to subsections 127(1) and 127.1 of the *Securities Act* (the "Act") in respect of Price Warner Securities Ltd. ("Price Warner"), Ian Rolin and Lorne Rolin (collectively, the "Respondents");

**AND WHEREAS** Price Warner, Ian Rolin and Lorne Rolin entered into a settlement agreement dated July 27, 2000 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

**AND WHEREAS** Staff of the Commission and the Respondents agreed to amend certain terms of the Settlement Agreement by agreement dated August 3, 2000 (the "Amending Agreement");

**AND UPON** reviewing the Settlement Agreement, the Amending Agreement and the Statement of Allegations of Staff of the Commission, and upon hearing submissions from counsel for Price Warner, Ian Rolin and Lorne Rolin and from Staff of the Commission;

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

**IT IS ORDERED THAT:**

- (1) the Settlement Agreement dated July 27, 2000 and the Amending Agreement dated August 3, 2000, attached to this Order, are hereby approved;
- (2) pursuant to clause 6 of subsection 127(1) of the Act, Price Warner, Ian Rolin and Lorne Rolin are hereby reprimanded;
- (3) pursuant to clause 1 of subsection 127(1) of the Act, the registration of each of Price Warner, Ian Rolin for a period of fifteen years, and Lorne Rolin for a period of seven years, is hereby suspended, effective 5:00 p.m. on August 11, 2000;
- (4) Price Warner shall, prior 5:00 p.m. on August 11, 2000, send to each of its clients a letter substantially in the form attached as Schedule "B1" to the Settlement Agreement;

(5) pursuant to clause 1 of subsection 127(1) of the Act, the following terms and conditions are hereby imposed upon the registration of Price Warner:

- (a) the registrant will not act as principal or as agent in the trading of any securities to a client of the registrant;
- (b) the registrant shall, by the date of suspension, cease to carry on its activities as a securities dealer;
- (c) the registrant shall limit 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 those securities and balances to a firm that is a member of the Investment Dealers Association of Canada (the "IDA"). The return of all clients' securities and free credit balances or the transfer of those securities and balances to a firm that is a member of the IDA must be completed prior to the effective date of suspension of the registration of the registrant.
- (d) the registrant shall file the following documents with the Manager of Compliance of the Ontario Securities Commission ("the Manager") on the following dates:
  - (i) on November 16, 2000, a balance sheet of the registrant reported thereon by the registrant's independent auditor without qualification as at the date of suspension, or such other date as may be agreed upon between the registrant and the Manager; and
  - (ii) on December 1, 2000, a comfort letter prepared by the registrant's independent auditor in accordance with section 5815 of the CICA Handbook confirming that the financial obligations of Price Warner to its clients have been discharged;
- (e) in the course of transferring client accounts to a firm that is a member of the IDA, the registrant shall 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;
- (f) the registrant will not:
  - (i) reduce its share capital in any manner, including the redemption, re-purchase or cancellation of any of its shares; or
  - (ii) reduce or repay any indebtedness which has been subordinated; or
  - (iii) directly or indirectly make any payments, including payments by way of

reimbursement for services rendered, loan, advance, bonus, dividend, repayment of capital or other distribution to:

- (a) any director, officer, partner or shareholder of the registrant; or
- (b) any related, associated or affiliated person or company of the registrant or of any such person; or
- (c) any director, officer, partner or shareholder of such a related, associated or affiliated person or company; or
- (iv) increase its capital assets as defined pursuant to section 3060 of the CICA Handbook unless pursuant to a commitment entered into prior to July 12, 2000;

until such time as the registrant files with the Manager of Compliance of the Ontario Securities Commission an auditor's comfort letter in accordance with section 5815 of CICA Handbook confirming that Price Warner's financial obligations to its clients have been discharged; and

- (6) pursuant to clause 127.1(2)(b) of the Act, the respondents are ordered to pay \$25,000 by certified cheque to the Commission no later than Thursday, August 17, 2000.

August 3<sup>rd</sup>, 2000.

"Howard I. Wetston"

"Morley P. Carscallen"

"J. F. Howard"

## SCHEDULE "B"

[on letterhead of Price Warner]

Dear [client]:

We are writing to advise that Price Warner Securities Ltd. ("Price Warner") is proceeding with the orderly wind-up of its business and affairs.

Price Warner wishes to avoid inconveniencing you during this period of transition and so the purpose of this letter is to tell you about the two options available to you regarding your account with Price Warner:

- (A) *You receive your cash and securities* - If you choose option 'A' on the form attached, Price Warner will deliver to you by mail to your address of record the cash and/or securities currently held in your account.
- (B) *We transfer your account* - If you choose option 'B' on the form attached, Price Warner will transfer your account to any firm, designated by you, that is a member of the Investment Dealers Association.

Please choose your preferred option and return the attached form to Price Warner in the enclosed postage-paid envelope. Please be advised that if you nothing or if we do not receive your instructions by [date], your account will automatically be transferred to [firm].

Should you have any questions, you should feel free to call our offices in Toronto at 416-[insert telephone number].

Thank you very much.

Yours truly,

**SCHEDULE "C"**

**RE: SETTLEMENT AGREEMENT - PRICE WARNER**

**Active Control Technology Inc. ("Active")**

1. Active is a reporting issuer in Ontario. During the period from May 29, 1997 to March 20, 1998, Price Warner acquired approximately 1,650,000 shares of Active at a weighted average cost of \$0.43 per share pursuant to certain option agreements.
2. During the period from May 14, 1997 to December 16, 1999, Price Warner sold substantially all of its shares in Active to its own clients at a weighted average price of \$1.70 per share, generating a gross profit to it of approximately \$2.3 million. The term "weighted average price", as referred to hereafter, is defined as the total dollar value of shares purchased by all clients, divided by the total number of shares purchased by all clients, excluding cancellations and reversals of trades. During this time, Price Warner accounted for approximately 58% of the reported trading of Active shares, while another securities dealer accounted for approximately 42% of the reported trading of Active shares.
3. Price Warner sold Active shares to its clients at a mark-up of approximately 295%, which mark-up was excessive. Active last traded on June 30, 2000 at \$0.10.

**AMT Fine Foods Ltd. ("AMT")**

4. AMT is a reporting issuer in Ontario. During the period from February 26, 1998 to September 24, 1998, Price Warner acquired approximately 1,680,000 shares of AMT at a weighted average cost of \$0.77 per share pursuant to certain option agreements.
5. During the period from February 16, 1998 to December 26, 1999, Price Warner sold substantially all its shares in AMT to its own clients. Price sold the shares at a weighted average price of \$1.63 per share, generating a gross profit to it of approximately \$2.2 million. During this time, Price Warner accounted for approximately 67% of the reported trading of AMT shares while another securities dealer accounted for approximately 33% of the reported trading of AMT shares.
6. Price Warner sold AMT shares to its clients at a mark-up of approximately 112%, which mark-up was excessive. AMT last traded on June 28, 2000 at \$0.02.

**Champion Gold Resources Inc. ("Champion")**

7. Champion is a reporting issuer in Ontario. During the period from July 8, 1997 to March 4, 1999, Price Warner acquired approximately 1,150,000 shares of Champion at a weighted average cost of \$0.30 per share pursuant to certain option agreements.
8. During the period from July 15, 1997 to May 31, 1999, Price Warner sold substantially all of its Champion

shares to its own clients at a weighted average price of \$1.47 per share, generating a gross profit to it of approximately \$1.4 million. During this time, Price Warner accounted for approximately 54% of the reported trading of Champion shares, while another securities dealer accounted for approximately 42% of the reported trading of the Champion shares.

9. Price Warner sold Champion shares to its clients at a mark-up of approximately 390%, which mark-up was excessive. Champion last traded on June 13, 2000 at \$0.02.

**CTM Cafés Inc. ("CTM")**

10. CTM is a reporting issuer in Ontario. During the period from September 11, 1998 to June 23, 1999, Price Warner acquired approximately 1,380,000 shares of CTM at a weighted average cost of \$0.38 per share pursuant to certain option agreements.
11. During the period from September 11, 1998 to October 27, 1999, Price Warner sold substantially all of its CTM shares to its own clients at a weighted average price of \$2.26 per share, generating a gross profit of approximately \$2.7 million. During this time, Price Warner accounted for approximately 60% of the reported trading of CTM shares, while another securities dealer Limited accounted for approximately 40% of the reported trading of CTM shares.
12. Price Warner sold CTM shares to its clients at a mark-up of approximately 495%, which mark-up was excessive. CTM last traded on July 5, 2000 at \$0.05.

**Forsys Corporation ("Forsys")**

13. Forsys is a reporting issuer in Ontario. During the period from January 10, 1997 to November 25, 1997, Price Warner acquired 2,196,607 shares of Forsys at a weighted average cost of \$0.40 per share pursuant to certain option agreements.
14. During the period from December 17, 1996 to August 14, 1998, Price Warner sold substantially all of its Forsys shares to its own clients at a weighted average price of \$1.66 per share, generating a gross profit of approximately \$3 million. During this time, Price Warner accounted for approximately 49% of the reported trading of Forsys shares, while another securities dealer accounted for approximately 48% of the reported trading of Forsys shares.
15. Price Warner sold Forsys shares to its clients at a mark-up of approximately 315%, which mark-up was excessive. Forsys last traded on June 6, 2000 at \$0.02.

**Gemstar Communications Inc. ("Gemstar")**

16. Gemstar is a reporting issuer in Ontario. During the period from April 8, 1996 to June 28, 1996, Price Warner acquired approximately 1,650,000 shares of Gemstar at a weighted average cost of \$0.43 per share pursuant to certain option agreements.

17. During the period from March 26, 1996 to June 23, 1999, Price Warner sold substantially all of its Gemstar shares to its own clients at a weighted average price of \$1.52 per share, generating a gross profit of approximately \$2 million. During this material time, Price Warner accounted for approximately 23% of the reported trading of Gemstar shares, while another securities dealer accounted for approximately 42% of the reported trading of Gemstar shares.
18. Price Warner sold Gemstar shares to its clients at a mark-up of approximately 253%, which mark-up was excessive. Gemstar last traded on July 5, 2000 at \$0.30.

**GolfNorth Properties Inc. ("GolfNorth")**

19. GolfNorth is a reporting issuer in Ontario. During the period from May 6, 1998 to May 17, 1999, Price Warner acquired 1,922,000 shares of GolfNorth at a weighted average cost of \$0.34 per share.
20. During the period from March 28, 1998 to August 31, 1999, Price Warner sold substantially all of its GolfNorth shares to its own clients at a weighted average price of \$2.29 per share, generating a gross profit of approximately \$3.5 million. During this time, Price Warner accounted for approximately 66% of the reported trading of GolfNorth shares, while another securities dealer accounted for approximately 31% of reported trading of GolfNorth shares.
21. Price Warner sold GolfNorth shares to its clients at a mark-up of approximately 574%, which mark-up was excessive. GolfNorth last traded on July 5, 2000 at \$0.30.

**Infolink Technologies Ltd. ("Infolink")**

22. Infolink is a reporting issuer in Ontario. During the period from September 15, 1999 to December 31, 1999, Price Warner acquired 2,200,000 shares of Infolink at a weighted average cost of \$0.25 per share pursuant to certain option agreements.
23. During the period from August 31, 1999 to December 31, 1999, Price Warner sold substantially all of its Infolink shares to its own clients at a weighted average price of \$0.75 per share, generating a gross profit of approximately \$700,000. During this time, Price Warner accounted for approximately 100% of the reported trading of Infolink shares.
24. Price Warner sold Infolink shares to its clients at a mark-up of approximately 200%, which mark-up was excessive. Infolink last traded on July 5, 2000 at \$0.55.

**Microlab Online Inc. ("Microlab")**

25. Microlab is a reporting issuer in Ontario. During the period from July 7, 1999 to December 2, 1999, Price Warner acquired 1,600,000 shares of Microlab at a weighted average cost of \$0.28 per share pursuant to certain option agreements.

26. During the period from July 7, 1999, to December 29, 1999, Price Warner sold substantially all of its Microlab shares to its own clients at a weighted average price of \$1.05 per share, generating a gross profit of approximately \$1 million. During this period, Price Warner accounted for approximately 81% of the reported trading of Microlab shares, while another securities dealer accounted for approximately 18% of the reported trading of Microlab shares.
27. Price Warner sold Microlab shares to its clients at a mark-up of approximately 275%, which mark-up was excessive. Microlab last traded on July 5, 2000 at \$0.36.

**Partner Jet Corp. ("Partner")**

28. Partner is a reporting issuer in Ontario. During the period between November 28, 1997 to December 4, 1998, Price Warner acquired approximately 1,066,128 shares of Partner at a weighted average cost of \$0.60 per share pursuant to certain option agreements.
29. During the period from October 21, 1997 to December 20, 1999, Price Warner sold substantially all of its Partner shares to its own clients at a weighted average price of \$1.86 per share, generating a gross profit of approximately \$1.5 million. During this time, Price Warner accounted for approximately 47% of the reported trading of the Partner shares, while another securities dealer accounted for approximately 53% of the reporting trading of Partner shares.
30. Price Warner sold Partner shares to its clients at a mark-up of approximately 210%, which mark-up was excessive. Partner last traded on April 11, 2000 at \$0.10.

**Racad Technologies Ltd. ("Racad")**

31. Racad is a reporting issuer in Ontario. During the period from July 12, 1996 to June 27, 1997, Price Warner acquired approximately 2,226,000 shares of Racad at a weighted average cost of \$0.41 per share pursuant to certain option agreements.
32. During the period from June 25, 1996 to a July 7, 1998, Price Warner sold substantially all of its Racad shares to its own clients at a weighted average price of \$1.64 per share, generating a gross profit of approximately \$2.8 million. During this time, Price Warner accounted for approximately 60% of the reported trading of Racad shares, while another securities dealer accounted for approximately 35% of the reported trading of Racad shares.
33. Price Warner sold Racad shares to its clients at a mark-up of approximately 300%, which mark-up was excessive.
34. Racad is no longer quoted or reportable on CDN . Racad last traded on July 7, 1998 at \$0.10.

**SFP Communications Group Inc. ("SFP")**

35. SFP is a reporting issuer in Ontario. During the period from January 11, 1999 to January 19, 2000, Price Warner acquired approximately 1,760,000 of SFP at a weighted average cost of \$0.62 per share pursuant to certain option agreements.
36. During the period from January 11, 1999 to December 31, 1999, Price Warner sold substantially all of its SFP shares to its own clients at a weighted average price of \$1.97 per share, generating a gross profit of approximately \$2.1 million. During this time, Price Warner accounted for approximately 72% of the reported trading of SFP shares, while another securities dealer accounted for approximately 28% of the reported trading of SFP shares.
37. Price Warner sold SFP shares to its clients at a mark-up of approximately 213%, which mark-up was excessive. SFP last traded on July 5, 2000 at \$0.58.

**Triangle Multi-Services Corporation ("Triangle")**

38. Triangle is a reporting issuer in Ontario. During the period from June 13, 1996 to April 9, 1997, Price Warner acquired 1,140,000 shares of Triangle at a weighted average cost of \$0.45 per share pursuant to certain option agreements.
39. During the period from April 30, 1996 to December 20, 1999, Price Warner sold substantially all of its Triangle shares to its own clients at a weighted average price of \$1.43 per share, generating a gross profit of approximately \$1.2 million. During this time, Price Warner accounted for approximately 47% of the reported trading of Triangle shares, while another securities dealer accounted for approximately 46% of the reported trading of Triangle shares.
40. Price Warner sold Triangle shares to its clients at a mark-up of approximately 240%, which mark-up was excessive. Triangle last traded on May 18, 2000 at \$0.02.

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

**AND**

**IN THE MATTER OF  
PRICE WARNER SECURITIES LTD.,  
IAN ROLIN AND LORNE ROLIN**

**AGREEMENT TO AMEND  
SETTLEMENT AGREEMENT DATED JULY 27, 2000**

**WHEREAS** on July 27, 2000, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to subsection 127(1) of the *Securities Act* (the "Act") in respect of Price Warner Securities Ltd. ("Price Warner"), Ian Rolin and Lorne Rolin (collectively, the "Respondents");

**AND WHEREAS** the Respondents entered into a Settlement Agreement dated July 27, 2000 (the "Settlement Agreement") in which the Respondents agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

**AND WHEREAS** Staff of the Commission and the Respondents agree to amend certain terms and conditions of the Settlement Agreement as described below.

1. The terms and conditions of the Settlement Agreement are amended as follows:

(i) The Respondents consent to the making of an Order against them in the form attached as Schedule "A1", which Order replaces Schedule "A" attached to the Settlement Agreement.

(ii) Paragraph 13.2 of the Settlement Agreement is amended as follows:

"prior to 5:00 p.m. on August 11, 2000 Price Warner shall have sent to each of its clients a letter substantially in the form attached as Schedule "B1", which letter replaces Schedule "B" attached to the Settlement Agreement".

(iii) Paragraph 13.3 of the Settlement Agreement is amended as follows:

"the registration of each of Price Warner, Ian Rolin, for a period of fifteen years and Lorne Rolin, for a period of seven years, will be suspended effective 5:00 p.m. on August 11, 2000".

- (iv) Paragraph 13.4(d)(i) is amended to read "on November 16, 2000" in place of the language "thirty days after the effective date of suspension".
- (v) Paragraph 13.4(d)(ii) is amended to read "on December 1, 2000" in place of the language "forty-five days after the effective date of suspension".
- (vi) The Respondents, Ian Rolin and Lorne Rolin, each undertake on a best efforts basis, to ensure that prior to 5:00 p.m. on August 11, 2000, Price Warner completes its obligations as set out in paragraph 13.4(c) of the Settlement Agreement. Price Warner shall transfer clients' securities and free credit balances to a firm that is a member of the Investment Dealers Association of Canada (the "IDA") prior to 5:00 p.m. on August 11, 2000.
- (vii) The Respondents agree to pay the costs of, or associated with, the transfers of clients' securities and free credit balances to an IDA member firm or firms as described in sub-paragraph (vi) herein.
- (viii) Paragraph 13.7 of the Settlement Agreement is amended as follows:

"the respondents will make a payment of \$25,000 to the Commission by certified cheque no later than Thursday, August 17, 2000".

- 2. All other terms and conditions of the Settlement Agreement remain the same.
- 3. This Agreement may be signed in one or more counterparts which together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

DATED this 3<sup>rd</sup> day of August, 2000.

PRICE WARNER SECURITIES LTD..

"IAN ROLIN"

"LORNE ROLIN"

STAFF OF THE ONTARIO SECURITIES COMMISSION

**2.1.3 Gordon-Daly Grenadier Securities, David Bregman, Alan Greenberg, Oron Sternhill and Wangyal Tulotsang - s. 127(1) and 127.1**

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

**AND**

**IN THE MATTER OF  
GORDON-DALY GRENADIER SECURITIES,  
DAVID BREGMAN, ALAN GREENBERG,  
ORON STERNHILL AND WANGYAL TULOTSANG**

**ORDER  
(Subsections 127(1) and 127.1)**

**WHEREAS** on July 27, 2000, the Ontario Securities Commission (the "Commission") issued a notice of hearing pursuant to subsections 127(1) and 127.1 of the *Securities Act* (the "Act") in respect of Gordon-Daly Grenadier Securities ("Gordon-Daly"), David Bregman ("Bregman"), Alan Greenberg ("Greenberg"), Oron Sternhill ("Sternhill") and Wangyal Tulotsang ("Tulotsang");

**AND WHEREAS** Gordon-Daly, Bregman, Greenberg, Sternhill and Tulotsang entered into a settlement agreement dated July 27, 2000 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

**AND UPON** reviewing the Settlement Agreement and the statement of allegations of Staff of the Commission, and upon hearing submissions from counsel for Gordon-Daly, Bregman, Greenberg, Sternhill and Tulotsang and from Staff of the Commission;

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

**IT IS ORDERED THAT:**

- (1) the Settlement Agreement dated July 27, 2000, attached to this Order, is hereby approved;
- (2) pursuant to clause 2 of subsection 127(1) of the Act, Bregman and Sternhill are each prohibited from trading in securities for a period of three years effective from the date of this Order;
- (3) pursuant to clause 2 of subsection 127(1) of the Act, Greenberg is prohibited from trading in securities for a period of one year effective from the date of this order;
- (4) pursuant to clause 6 of subsection 127(1) of the Act, Gordon-Daly, Bregman, Greenberg, Sternhill and Tulotsang are hereby reprimanded;
- (5) pursuant to clause 1 of subsection 127(1) of the Act, the registration of each of Gordon-Daly, Bregman (for a period of sixteen years), Greenberg (for a period of fifteen years), Sternhill (for a period of fifteen years) and



Tulotsang (for a period of two years) is hereby suspended effective forty-five days from date of this order;

- (6) Gordon-Daly shall, on or before three days from the date of this order, send to each of its clients a letter substantially in the form attached as Schedule "B" to the Settlement Agreement;
- (7) pursuant to clause 1 of subsection 127(1) of the Act, the following terms and conditions are hereby imposed upon the registration of Gordon-Daly:
- (a) the registrant will not act as principal or as agent in the purchase or sale of any securities to a client of the registrant;
  - (b) the registrant shall, within thirty days of the date of this order, cease to carry on its activities as a securities dealer;
  - (c) the registrant shall limit 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 those securities and balances to a firm that is a member of the Investment Dealers Association of Canada (the "IDA"), upon the request of the client. Gordon-Daly will pay all costs of transfers of clients' securities and credit salaries from Gordon-Daly to a firm that is a member of the IDA. The return of all clients' securities and free credit balances or the transfer of those securities and balances to a firm that is a member of the IDA must be completed prior to the effective date of suspension of the registration of the registrant;
  - (d) the registrant shall file the following documents with the Manager of Compliance of the Ontario Securities Commission ("the Manager") on the following dates:
    - (i) thirty days after the date of suspension, a balance sheet of the registrant reported thereon by the registrant's independent auditor without qualification as at the date of suspension, or such other date as may be agreed upon between the registrant and the Manager; and
    - (ii) forty-five days after the date of suspension or such other date as may be agreed upon between the registrant and the Manager, a comfort letter prepared by the registrant's independent auditor in accordance with section 5815 of the CICA Handbook confirming that the financial obligations of Gordon-Daly to its clients have been discharged.
  - (e) in the course of transferring client accounts to a firm that is a member of the IDA, the registrant shall 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;

- (f) The registrant will not:
- (i) reduce its share capital in any manner, including the redemption, re-purchase or cancellation of any of its shares;
  - (ii) reduce or repay any indebtedness which has been subordinated;
  - (iii) directly or indirectly make any payments, including payments by way of reimbursement for services rendered, loan, advance, bonus, dividend, repayment of capital or other distribution to:
    - (a) any director, officer, partner or shareholder of the registrant; or
    - (b) any related, associated or affiliated person or company of the registrant or of any such person; or
    - (c) any director, officer, partner or shareholder of such a related, associated or affiliated person or company; or
  - (iv) increase its capital assets as defined pursuant to section 3060 of the CICA Handbook unless pursuant to a commitment entered into prior to July 12, 2000;
- until such time as the registrant files with the Manager of Compliance of the Ontario Securities Commission an auditor's comfort letter in accordance with section 5815 of the CICA Handbook confirming that Gordon-Daly's financial obligations to its clients have been discharged.
- (8) pursuant to clause 127.1(2)(b) of the Act, the respondents are ordered to make payment in the amount of \$25,000 by certified cheque to the Commission.

August 9<sup>th</sup>, 2000.

"J. A. Geller"

"Robert W. Korthals"

"R. Stephen Paddon"

**SCHEDULE "A1"**  
**IN THE MATTER OF THE SECURITIES ACT**  
**R.S.O. 1990, c. S.5, AS AMENDED**

**AND**  
**IN THE MATTER OF**  
**PRICE WARNER SECURITIES LTD.**  
**IAN ROLIN AND LORNE ROLIN**

**ORDER**  
**(Subsections 127(1) and 127.1)**

**WHEREAS** on July 27, 2000, the Ontario Securities Commission (the "Commission") issued a notice of hearing pursuant to subsections 127(1) and 127.1 of the *Securities Act* (the "Act") in respect of Price Warner Securities Ltd. ("Price Warner"), Ian Rolin and Lorne Rolin (collectively, the "Respondents");

**AND WHEREAS** Price Warner, Ian Rolin and Lorne Rolin entered into a settlement agreement dated July 27, 2000 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

**AND WHEREAS** Staff of the Commission and the Respondents agreed to amend certain terms of the Settlement Agreement by agreement dated August 3, 2000 (the "Amending Agreement");

**AND UPON** reviewing the Settlement Agreement, the Amending Agreement and the Statement of Allegations of Staff of the Commission, and upon hearing submissions from counsel for Price Warner, Ian Rolin and Lorne Rolin and from Staff of the Commission;

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

**IT IS ORDERED THAT:**

- (1) the Settlement Agreement dated July 27, 2000 and the Amending Agreement dated August 3, 2000, attached to this Order, are hereby approved;
- (2) pursuant to clause 6 of subsection 127(1) of the Act, Price Warner, Ian Rolin and Lorne Rolin are hereby reprimanded;
- (3) pursuant to clause 1 of subsection 127(1) of the Act, the registration of each of Price Warner, Ian Rolin for a period of fifteen years, and Lorne Rolin for a period of seven years, is hereby suspended, effective 5:00 p.m. on August 11, 2000;
- (4) Price Warner shall, prior 5:00 p.m. on August 11, 2000, send to each of its clients a letter substantially in the form attached as Schedule "B1" to the Settlement Agreement;

(5) pursuant to clause 1 of subsection 127(1) of the Act, the following terms and conditions are hereby imposed upon the registration of Price Warner:

- (a) the registrant will not act as principal or as agent in the trading of any securities to a client of the registrant;
- (b) the registrant shall, by the date of suspension, cease to carry on its activities as a securities dealer;
- (c) the registrant shall limit 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 those securities and balances to a firm that is a member of the Investment Dealers Association of Canada (the "IDA"). The return of all clients' securities and free credit balances or the transfer of those securities and balances to a firm that is a member of the IDA must be completed prior to the effective date of suspension of the registration of the registrant.
- (d) the registrant shall file the following documents with the Manager of Compliance of the Ontario Securities Commission ("the Manager") on the following dates:
  - (i) on November 16, 2000, a balance sheet of the registrant reported thereon by the registrant's independent auditor without qualification as at the date of suspension, or such other date as may be agreed upon between the registrant and the Manager; and
  - (ii) on December 1, 2000, a comfort letter prepared by the registrant's independent auditor in accordance with section 5815 of the CICA Handbook confirming that the financial obligations of Price Warner to its clients have been discharged;
- (e) in the course of transferring client accounts to a firm that is a member of the IDA, the registrant shall 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;
- (f) the registrant will not:

SCHEDULE "B1"

- (i) reduce its share capital in any manner, including the redemption, re-purchase or cancellation of any of its shares; or
- (ii) reduce or repay any indebtedness which has been subordinated; or
- (iii) directly or indirectly make any payments, including payments by way of reimbursement for services rendered, loan, advance, bonus, dividend, repayment of capital or other distribution to:
  - (a) any director, officer, partner or shareholder of the registrant; or
  - (b) any related, associated or affiliated person or company of the registrant or of any such person; or
  - (c) any director, officer, partner or shareholder of such a related, associated or affiliated person or company; or
- (iv) increase its capital assets as defined pursuant to section 3060 of the CICA Handbook unless pursuant to a commitment entered into prior to July 12, 2000;

until such time as the registrant files with the Manager of Compliance of the Ontario Securities Commission an auditor's comfort letter in accordance with section 5815 of CICA Handbook confirming that Price Warner's financial obligations to its clients have been discharged; and

- (6) pursuant to clause 127.1(2)(b) of the Act, the respondents are ordered to pay \$25,000 by certified cheque to the Commission no later than Thursday, August 17, 2000.

DATED at Toronto this 3<sup>rd</sup> day of August, 2000.

\_\_\_\_\_  
\_\_\_\_\_

[on letterhead of Price Warner]

[Dear Client:]

We are writing to advise that Price Warner Securities Ltd. ("Price Warner") is proceeding with the orderly wind-up of its business and affairs.

Price Warner will be transferring the cash and/or securities currently held in your account to [insert name of IDA member firm], such transfer to be completed on a best efforts basis prior to August 11, 2000.

Please contact [name of individual at IDA member firm] at [insert telephone number] for further options available to you regarding your account. You may request that the [IDA member firm] deliver to you by mail to your address of record the cash and/or securities held in your account. Alternatively, you may request that [the IDA member firm] transfer your account to any firm, designated by you, that is a member of the Investment Dealers Association.

If you receive this correspondence by August 11, 2000, you should feel free to call our offices in Toronto at 416 [insert telephone number]. If you receive this correspondence after August 11, 2000, please contact [individual name at IDA member firm] at 416 [insert telephone number].

Thank you very much.

Yours truly,

**2.1.4 Gordon-Daly Grenadier Securities, David Bregman, Alan Greenberg, Oron Sternhill and Wangyal Tulotsang - Settlement Agreement**

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

AND

IN THE MATTER OF  
GORDON-DALY GRENADIER SECURITIES,  
DAVID BREGMAN, ALAN GREENBERG,  
ORON STERNHILL AND WANGYAL TULOTSANG

**SETTLEMENT AGREEMENT**

**I. INTRODUCTION**

1. By notice of hearing dated July 27, 2000 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider whether, pursuant to subsections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), it is in the public interest for the Commission to make an order:

- (i) that the registration of Gordon-Daly Grenadier Securities ("Gordon-Daly"), David Bregman ("Bregman"), Alan Greenberg ("Greenberg"), Oron Sternhill ("Sternhill") and Wangyal Tulotsang ("Tulotsang") (together referred to as the "respondents") be suspended or restricted for such time as the Commission may direct, or be terminated, or be subject to such terms and conditions as the Commission may order;
- (ii) that trading in securities by Gordon-Daly, Bregman, Greenberg, Sternhill and Tulotsang cease permanently or for such other period as specified by the Commission;
- (iii) that Bregman, Greenberg, Sternhill and Tulotsang, or any of them, be prohibited from becoming or acting as a director or officer of any issuer;
- (iv) that the respondents, or any of them, be reprimanded;
- (v) that the respondents, or any of them, pay costs to the Commission; and/or
- (vi) such other order as the Commission considers appropriate.

**II. JOINT SETTLEMENT RECOMMENDATION**

2. Staff of the Commission ("Staff") agree to recommend settlement of the proceeding initiated in respect of the respondents by the Notice of Hearing in accordance with the terms and conditions set out below. The respondents consent to the making of an order against

them in the form attached as Schedule 'A' on the basis of the facts set out below.

**III. STATEMENT OF FACTS**

**Acknowledgment**

3. Staff and each of the respondents agree with the facts set out in this Part III for the purpose of this proceeding only.

**Facts**

4. The respondent, Gordon-Daly is, and was at all material times, registered under Ontario securities law as a securities dealer. Gordon Daly is a partnership of three corporations, Bethmark Investments Limited, ALG Investments Limited and Alon Investments Limited. The three corporations are wholly owned by each of Bregman, Greenberg and Sternhill, respectively.

5. The respondent, Bregman is, and was at all material times, registered under Ontario securities law as an officer of Gordon-Daly, and is the "executive partner" of Gordon-Daly. The respondent, Greenberg is, and was at all material times, registered under Ontario securities law as an officer of Gordon-Daly, and is the "executive general partner" of Gordon-Daly. The respondent, Sternhill is, and was at all material times, registered under Ontario securities law as an officer of Gordon-Daly, and is the "executive partner" of Gordon-Daly. The respondent, Tulotsang has been registered under Ontario securities law since March 10, 1998 as an officer of Gordon-Daly, and is, and was during this time, the controller and the compliance officer of Gordon-Daly. Tulotsang's activities at Gordon-Daly were under the direction of Bregman.

6. During the period from 1996 to 1999 (the "material time"), virtually all of Gordon-Daly's business consisted of it acquiring stock for its own account and selling that same stock to its clients (referred to below as "principal trading"). During this same period, in excess of 90% of Gordon-Daly's revenue was derived from principal trading in the stock of thirteen issuers (the "Thirteen Issuers") referred to below, all of which traded through the Canadian Dealing Network Inc. (the "CDN").

7. The Thirteen Issuers are as follows:

1. Black Mountain Minerals Inc. ("Black Mountain");
2. CD Rom Network Inc. ("CD Rom");
3. Century Financial Capital Group Inc. ("Century Financial");
4. Magra Computer Technologies Corp. ("Magra");
5. Olympic Rom World Inc. ("Olympic");
6. Pan Pacific Strategies Corp. ("Pan Pacific");
7. PlanetSafe Enviro Corp. ("PlanetSafe");
8. Polar Innovative Capital Corp. ("Polar Innovative");

9. Southern Reef Ventures Inc. ("Southern Reef");
10. The Streetwear Corporation ("Streetwear");
11. United Pacific Capital Resources Inc. ("United");
12. Westhope Capital Corp. ("Westhope"); and
13. World Wide Interactive Disks Inc. ("World Wide").

8. In the case of the Thirteen Issuers, Gordon-Daly either held stock in its inventory or had exercised option agreements to acquire the stock in the issuer immediately prior to the commencement of principal trading in the stock with its clients. Gordon-Daly acquired stock in the Thirteen Issuers at prices significantly lower than the selling price to its clients. Gordon-Daly re-sold this stock to its own clients at mark-ups above acquisition costs ranging from approximately 56% to approximately 324%, which mark-ups were excessive.

9. During the material time, Gordon-Daly's gross revenue (i.e. revenue from the sale of stock less acquisition costs) earned from principal trading in the stock of the Thirteen Issuers was approximately \$31 million.

10. Particulars of the principal trading in the Thirteen Issuers by Gordon-Daly are set out below.

#### **Black Mountain Minerals Inc. ("Black Mountain")**

11. Black Mountain is a reporting issuer in Ontario. During the period from January 14, 1998 to May 28, 1999, Gordon-Daly acquired 5.1 million shares of Black Mountain at a weighted average cost of \$0.70 per share.

12. During the period of September 1, 1997 to December 30, 1999, Gordon-Daly sold substantially all of its Black Mountain shares to its own clients at a weighted average price of \$1.91 per share, generating a gross profit of approximately \$5.5 million. The term "weighted average price", as referred to hereafter, is defined as the total dollar value of shares purchased by all clients, divided by the total number of shares purchased by all clients, excluding cancellations and reversals of trades. During this time, Gordon-Daly accounted for approximately 99% of the reported trading of the Black Mountain shares.

13. Gordon-Daly sold Black Mountain shares to its own clients at a mark-up of approximately 173%, which mark-up was excessive. Black Mountain last traded on June 29, 2000 at \$0.20.

#### **CD Rom Network Inc. ("CD Rom")**

14. CD Rom is a reporting issuer in Ontario. During the period between November 29, 1994 to May 6, 1997, Gordon-Daly acquired 3.6 million shares of CD Rom at a weighted average price of \$0.59 per share.

15. During the period from October 2, 1995 to December 23, 1999, Gordon-Daly sold substantially all of its CD Rom shares to its own clients at a weighted average price of \$0.92 per share, generating a gross profit of approximately \$600,000. During this time, Gordon-Daly accounted for approximately 94% of the reported trading of CD Rom shares.

16. Gordon-Daly sold CD Rom shares to its own clients at a mark-up of approximately 56%, which mark-up was excessive. CD Rom last traded on June 23, 2000 at \$0.05.

#### **Century Financial Capital Group Inc. ("Century Financial")**

17. Century Financial is a reporting issuer in Ontario. During the period from April 30, 1999 to October 26, 1999, Gordon-Daly acquired 252,000 shares of Century Financial at a weighted average price of \$1.69 per share.

18. During the period from February 4, 1999 to December 30, 1999, Gordon-Daly sold substantially all of its Century Financial shares to its own clients at a weighted average price of \$2.77 per share, generating a gross profit of approximately \$600,000. During this time, Gordon-Daly accounted for approximately 99% of the reported trading in Century Financial shares.

19. Gordon-Daly sold Century Financial shares to its own clients at a mark-up of approximately 64%, which mark-up was excessive.

20. On or about November 1, 1998, Olympic ROM World Inc. ("Olympic") (referred to below) amalgamated with four companies to form Century Financial. Ten shares of Olympic were exchanged for one new share of Century Financial. Century Financial last traded on July 5, 2000 at \$1.97 per share, which is equivalent to approximately \$0.20 per Olympic share.

#### **Magra Computer Technologies Corp. ("Magra")**

21. Magra is a reporting issuer in Ontario. During the period from October 10, 1996 to August 28, 1998, Gordon-Daly acquired 8.1 million shares of Magra at a weighted average price of \$0.66 per share.

22. During the period from September 12, 1996 to December 31, 1999, Gordon-Daly sold substantially all of its Magra shares to its own clients at a weighted average price of \$1.68 per share, generating a gross profit of approximately \$3.9 million. During this time, Gordon-Daly accounted for approximately 97% of the reporting trading of Magra shares.

23. Gordon-Daly sold Magra shares to its own clients at a mark-up of approximately 155%, which mark-up was excessive. Magra last traded on June 29, 2000 at \$0.09.

#### **Olympic Rom World Inc. ("Olympic")**

24. Olympic (referred to in paragraph 20) is a reporting issuer in Ontario. During the period from March 28,

1995 to December 8, 1997, Gordon-Daly acquired 5.4 million shares of Olympic at a weighted average price of \$0.54 per share.

25. During the period from August 2, 1995 to December 18, 1998, Gordon-Daly sold substantially all of its Olympic shares to its own clients at a weighted average price of \$1.16 per share, generating a gross profit of approximately \$1.7 million. During this time, Gordon-Daly accounted for approximately 95% of the reported trading of Olympic shares.
26. Gordon-Daly sold Olympic shares to its own clients at a mark-up of approximately 115%, which mark-up was excessive. As noted above in paragraph 20, on or about November 1, 1998 Olympic amalgamated with four companies to form Century Financial. Ten shares of Olympic were exchanged for one new share of Century Financial. Century Financial last traded on July 5, 2000 at \$1.97 per share, which is equivalent to approximately \$.20 per Olympic share.

#### **Pan Pacific Strategies Corp. ("Pan Pacific")**

27. Pan Pacific is a reporting issuer in Ontario. During the period from November 20, 1995 to December 8, 1997, Gordon-Daly acquired 6.3 million shares of Pan Pacific at a weighted average price of \$0.70 per share.
28. During the period from October 3, 1995 to January 19, 1998, Gordon-Daly sold substantially all of its Pan Pacific shares to its own clients at a weighted average price of \$1.30 per share, generating a gross profit of approximately \$2 million. During this time, Gordon-Daly accounted for approximately 80% of the reported trading of Pan Pacific shares.
29. Gordon-Daly sold Pan Pacific shares to its own clients at a mark-up of approximately 86%, which mark-up was excessive. On January 28, 1998 the Commission ordered Pan Pacific to cease trading in securities for failure to file its annual financial statements for the year ended August 31, 1997. Pan Pacific last traded on January 28, 1998 at \$0.40.

#### **PlanetSafe Enviro Corp. ("PlanetSafe")**

30. PlanetSafe is a reporting issuer in Ontario. During the period from May 25, 1995 to August 22, 1996, Gordon-Daly acquired 4.9 million shares of PlanetSafe at a weighted average cost of \$0.29 per share.
31. During the period from October 2, 1995 to December 29, 1999, Gordon-Daly sold substantially all of its PlanetSafe shares to its own clients at a weighted average price of \$1.23 per share, generating a gross profit of approximately \$800,000. During this time, Gordon-Daly accounted for approximately 81% of the reported trading in PlanetSafe shares.
32. Gordon-Daly sold PlanetSafe shares to its own clients at a mark-up of approximately 324%, which mark-up was excessive. PlanetSafe last traded on April 18, 2000 at \$0.01.

#### **Polar Innovative Capital Corp. ("Polar Innovative")**

33. Polar Innovative is a reporting issuer in Ontario. During the period from March 17, 1999 to October 28, 1999, Gordon-Daly acquired 1.7 million shares of Polar Innovative at a weighted average price of \$0.62 per share.
34. During the period from January 8, 1999 to December 30, 1999, Gordon-Daly sold substantially all of its Polar Innovative shares to its own clients at a weighted average price of \$2.00 per share, generating a gross profit of approximately \$1.8 million. During this time, Gordon-Daly accounted for 99% of the reported trading in Polar Innovative shares.
35. Gordon-Daly sold Polar Innovative shares to its own clients at a mark-up of approximately 223%, which mark-up was excessive. Polar Innovative last traded on July 5, 2000 at \$2.00. As at July 6, 2000, Gordon-Daly accounted for approximately 95% of the reported trading in Polar Innovative.

#### **Southern Reef Venture Inc. ("Southern Reef")**

36. Southern Reef is a reporting issuer in Ontario. During the period from October 15, 1996 to April 29, 1999 Gordon-Daly acquired 7.9 million shares of Southern Reef at a weighted average price of \$0.50 per share.
37. During the period from September 10, 1996 to December 31, 1999, Gordon-Daly sold substantially all of its Southern Reef shares to its own clients at a weighted average price of \$1.22 per share, generating a gross profit of approximately \$4.1 million. During this time, Gordon-Daly accounted for 97% of the reported trading of Southern Reef shares.
38. Gordon-Daly sold Southern Reef shares to its own clients at a mark-up of approximately 144%, which mark-up was excessive. Southern Reef last traded on June 26, 2000 at \$0.10.

#### **The Streetwear Corporation ("Streetwear")**

38. Streetwear is a reporting issuer in Ontario. On October 29, 1999, Gordon-Daly acquired 250,000 shares of Streetwear at a weighted average cost of \$1.05 per share.
39. During the period from July 14, 1999 to December 31, 1999, Gordon-Daly sold substantially all of its Streetwear shares to its own clients at a weighted average price of \$3.15 per share, generating a gross profit of approximately \$500,000. During this time, Gordon-Daly accounted for 88% of the reported trading in Streetwear shares.
40. Gordon-Daly sold Streetwear shares to its own clients at a mark-up of approximately 200%, which mark-up was excessive. Streetwear last traded on July 5, 2000 at \$2.45. As at July 6, 2000 Gordon-Daly accounted for 95% of the reported trading in Streetwear shares.

**United Pacific Capital Resources Inc. ("United")**

41. United is a reporting issuer in Ontario. During the period from January 11, 1999 to October 8, 1999 Gordon-Daly acquired 1.2 million shares of United Class "B" shares at a weighted average price of \$1.24 per share.
42. During the period from August 28, 1998 to December 23, 1999, Gordon-Daly sold substantially all of its United Class "B" shares to its own clients at a weighted average price of \$2.88 per share, generating a gross profit of approximately \$1.4 million. During this time, Gordon-Daly accounted for approximately 98% of the reported trading of United Class "B" shares.
43. Gordon-Daly sold United shares to its own clients at a mark-up of approximately 132%, which mark-up was excessive. United last traded on March 22, 2000 at \$1.72. As at March 22, 2000, Gordon-Daly accounted for 97% of the reported trading in United.

**Westhope Capital Corp. ("Westhope")**

44. Westhope is a reporting issuer in Ontario. During the period from June 25, 1997 to March 9, 1999, Gordon-Daly acquired 5 million shares of Westhope at a weighted average price of \$0.51 per share.
45. During the period from May 12, 1997 to December 24, 1999, Gordon-Daly sold substantially all of its Westhope shares to its own clients at a weighted average price of \$1.55 per share, generating a gross profit of approximately \$4.1 million. During this time, Gordon-Daly accounted for approximately 98% of the reported trading in Westhope shares.
46. Gordon-Daly sold Westhope shares to its own clients at a mark-up of approximately 204%, which mark-up was excessive. Westhope last traded on June 13, 2000 at \$0.15.

**World Wide Interactive Disks Inc. ("World Wide")**

47. World Wide is a reporting issuer in Ontario. During the period from April 25, 1997 to April 1, 1999, Gordon-Daly acquired 5.1 million shares of World Wide at a weighted average price of \$0.50 per share.
48. During the period from January 13, 1997 to December 30, 1999, Gordon-Daly sold substantially all of its World Wide shares to its own clients at a weighted average price of \$1.47 per share, generating a gross profit of approximately \$3.8 million. During this time, Gordon-Daly accounted for approximately 97% of the reported trading in World Wide shares.
49. Gordon-Daly sold World Wide shares to its own clients at a mark-up of approximately 194%, which mark-up was excessive. World Wide last traded on June 8, 2000 at \$0.15.

**Misrepresentations Made or Authorized by Bregman, Greenberg and Sternhill**

50. Gordon-Daly acted as market-maker for a number of the Thirteen Issuers. Pursuant to s. 155 of the Regulation to the Act, a registered dealer who wishes to act as a market-maker must make application for approval to so act in accordance with Form 41.
51. Form 41 requires the applicant to state whether or not it has a relationship with the promoter of the issuer. In each application made, either Bregman or Sternhill stated that Gordon-Daly had no direct or indirect association, dealings or arrangements with the issuer or any promoter of the issuer.
52. In respect of eight of the Thirteen Issuers for which Gordon-Daly was market-maker, the promoter of the issuer was Harry Bregman. Harry Bregman was an original founder of Gordon-Daly and is the father of Bregman and the father-in-law of Sternhill.
53. The eight issuers for which Gordon-Daly was market-maker and Harry Bregman was promoter are:
  - Black Mountain Minerals Inc.
  - CD Rom Network Inc.
  - Olympic World Inc.
  - Polar Innovative Capital Corp.
  - Southern Reef Ventures Inc.
  - United Pacific Capital Resources Inc.
  - Westhope Capital Corp.
  - World Wide Interactive Disks Inc.
54. In making the statement that Gordon-Daly had no direct or indirect association, dealings or arrangements with a promoter of the issuer, in respect of those issuers listed above, each of Sternhill and Bregman made statements in certain applications that in a material respect and in light of the circumstances under which the statements were made, were misleading or untrue. Greenberg knew, or ought to have known, that Sternhill and Bregman were making the misleading statements and either authorized, permitted or acquiesced in the making of the misstatements by Sternhill and Bregman. In so doing, each of Sternhill, Bregman and Greenberg acted in breach of Ontario securities law, and in particular section 122(1)(b) of the Act, and contrary to the public interest.
55. Form 41 also requires the applicant to state whether or not the insiders or promoters of the issuer, which are known to the applicant, after reasonable enquiry, are trading clients of the applicant. In each application made, either Bregman or Sternhill stated that the insiders of the issuer are not trading clients of the applicant, Gordon-Daly.
56. In respect of those issuers listed below, insiders of the issuer were trading clients of Gordon-Daly at the time the application to be a market-maker, Form 41, was filed.

Issuer	Insider/Client of Gordon-Daly	Failure to Keep Books and Records Required Under Ontario Securities Law
1. Black Mountain Minerals Inc.	James McCannell, President & Director Milton Klyman, Director Fred Munger, Secretary-Treasurer & Director Gerald Iscove, Director	58. During the material time, Gordon-Daly failed to keep such books, records and other documents as are required under Ontario securities law, and in particular, as are required under section 19 of the Act. In particular, in response to Staff's request to deliver certain books and records pursuant to an order under subsection 19(3) of the Act, Gordon-Daly advised that it was unable to retrieve and produce to Staff the following documents:
2. CD Rom Network Inc.	Gordon Wilton, President & Director Samuel Greenberg, Secretary-Treasurer & Director	(i) All New Client Application Forms, including updates, and all other account opening documentation for all accounts in the name of Harry Bregman, Jim McCannell, Milton Klyman, Gordon Magrill, Fidelity Commerce Securities Corp., Fred Munger, Gordon Wilton, Jerry Iscove, Irwin Singer in Trust, Double A.J. Limited, J.C. David Securities Ltd. and Sam Greenberg; and
3. Olympic Rom World Inc.	Gordon Wilton, President & Director Samuel Greenberg, Secretary-Treasurer & Director Gerald Iscove, Director Milton Klyman, Director	(ii) The account opening date(s) and, where applicable, closing date(s) for each account of Harry Bregman, Jim McCannell, Milton Klyman, Gordon Magrill, Fidelity Commerce Securities Corp., Fred Munger, Gordon Wilton, Jerry Iscove, Irwin Singer in Trust, Double A.J. Limited, J.C. David Securities Ltd. and Sam Greenberg.
4. PlanetSafe Enviro Corp.	Gerald Iscove, Director Milton Klyman, Director	
5. Polar Innovative Capital Corp.	James McCannell, President & Director Milton Klyman Fred Munger, Secretary-Treasurer & Director Gerald Iscove, Director	
6. Southern Reef Ventures Inc.	Milton Klyman, President, Secretary-Treasurer & Director Gordon Magrill, Director	
7. United Pacific Capital Resources Inc.	James McCannell, President & Director Milton Klyman, Secretary-Treasurer & Director Fred Munger, Director Gerald Iscove, Director	
8. Westhope Capital Corp.	James McCannell, President & Director Milton Klyman, Secretary-Treasurer & Director Fred Munger, Director Gordon Magrill, Director	
9. World Wide Interactive Disks Inc.	Gordon Wilton, President & Director Milton Klyman, Secretary-Treasurer & Director	
57. In making the statement that the insiders of the issuers listed above were not trading clients of Gordon-Daly, Sternhill and Bregman made statements in an application that in a material respect and in light of the circumstances under which the statements were made, were misleading or untrue. Greenberg knew, or ought to have known, that Sternhill and Bregman were making the misleading statements and either authorized, permitted or acquiesced in the making of the misstatements by Sternhill and Bregman. In so doing, each of Sternhill, Bregman and Greenberg acted in breach of Ontario securities law, and in particular, section 122(1)(b) of the Act, and contrary to the public interest.		<b>Conduct of the Respondents Contrary to the Public Interest</b>
		59. In engaging in the conduct described above, the respondents may have failed to deal fairly, honestly and in good faith with their clients, in breach of the requirements set out in Ontario securities law, and in particular, subsections 2.1(1) and (2) of Rule 31-505, may not have acted in the best interests of their clients, and acted contrary to the public interest. The respondents, Bregman, Greenberg, Sternhill and Tulotsang authorized, permitted or acquiesced in the contraventions by Gordon-Daly, as described above, and acted contrary to the public interest.
		60. Further, as described above, Sternhill and Bregman made statements in certain Form 41 applications, that in a material respect and in light of the circumstances under which the statements were made, were misleading or untrue, and in breach of Ontario securities law, and contrary to the public interest. Greenberg, as a registered officer of Gordon-Daly, either authorized, permitted or acquiesced in the making of the misstatements by Sternhill and Bregman.
		61. As described above, Gordon-Daly failed to keep such books, records and other documents as are required under Ontario securities law, and in particular, as are required under section 19 of the Act. The respondents, Bregman, Greenberg, Sternhill and Tulotsang authorized, permitted or acquiesced in the contraventions by Gordon-Daly to keep such records as are required under Ontario securities law.



IV. TERMS OF SETTLEMENT

62. The respondents agree to the following terms of settlement:

1. the respondents will be reprimanded by the Commission;
2. the respondents Bregman and Sternhill will cease trading in securities for a period of three years effective from the date of approval of this Settlement Agreement by the Commission, and the respondent Greenberg will cease trading in securities for a period of one year, from the date of approval of this Settlement Agreement by the Commission;
3. on or before three business days from the date of approval of this settlement, Gordon-Daly will have sent to each of its clients a letter in the form attached as Schedule "B";
4. the registration of Gordon-Daly, Bregman (for a period of sixteen years), Greenberg (for a period of fifteen years), Sternhill (for a period of fifteen years) and Tulotsang (for a period of two years) will be suspended thirty days from the approval of this Settlement Agreement by the Commission;
5. the following terms and conditions will be imposed upon the registration of Gordon-Daly (hereafter, also referred to as the "registrant"), effective on the date of approval of this Settlement Agreement and continuing for the duration of Gordon-Daly's registration:
  - (a) the registrant will not act as principal or as agent in the purchase or sale of any securities to a client of the registrant;
  - (b) the registrant shall, by the effective date of suspension, cease to carry on its activities as a securities dealer;
  - (c) the registrant shall limit 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 those securities and balances to a firm that is a member of the Investment Dealers Association of Canada (the "IDA"), upon the request of the client. The return of all clients' securities and free credit balances or the transfer of those securities and balances to a firm that is a member of the IDA, upon the request of the client, must be completed prior to the effective date of suspension of the registration of the registrant.
  - (d) the registrant shall file the following documents with the Manager of Compliance of the Ontario Securities

Commission ("the Manager") on the following dates:

- (i) thirty days after the effective date of suspension, a balance sheet of the registrant reported thereon by the registrant's independent auditor without qualification as at the effective date of suspension, or such other date as may be agreed upon between the registrant and the Manager; and
  - (ii) forty-five days after the effective date of suspension or such other date as may be agreed upon between the registrant and the Manager, a comfort letter prepared by the registrant's independent auditor in accordance with section 5815 of the CICA Handbook confirming that the financial obligations of Gordon-Daly to its clients have been discharged.
- (e) in the course of transferring client accounts to a firm that is a member of the IDA, the registrant shall 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;
- (f) The registrant will not:
- (i) reduce its share capital in any manner, including the redemption, re-purchase or cancellation of any of its shares;
  - (ii) reduce or repay any indebtedness which has been subordinated;
  - (iii) directly or indirectly make any payments, including payments by way of reimbursement for services rendered, loan, advance, bonus, dividend, repayment of capital or other distribution to:
    - (a) any director, officer, partner or shareholder of the registrant; or
    - (b) any related, associated or affiliated person or company of the registrant or of any such person; or
    - (c) any director, officer, partner or shareholder of

such a related, associated or affiliated person or company; or

- (iv) increase its capital assets as defined pursuant to section 3060 of the CICA Handbook unless pursuant to a commitment entered into prior to July 12, 2000;

until such time as the registrant files with the Manager of Compliance of the Ontario Securities Commission an auditor's comfort letter in accordance with section 5815 of the CICA Handbook confirming that Gordon-Daly's financial obligations to its clients have been discharged.

- 6. The respondents, Bregman, Greenberg, Sternhill and Tulotsang (as the case may be) each undertake to the Commission the following, from the date of the approval of this Settlement Agreement by the Commission:

- (i) Bregman, for a period of sixteen years, Greenberg and Sternhill for a period of fifteen years, will not apply for registration in any capacity under Ontario securities law;
- (ii) effective ninety days from the approval of this Settlement Agreement by the Commission, Bregman, Greenberg and Sternhill will not be involved directly or indirectly in the management of a registrant;
- (iii) Bregman, Greenberg and Sternhill will not collectively or singly, own, directly or indirectly, greater than a 20% interest in any registrant;
- (iv) Bregman, for a period of sixteen years, Greenberg and Sternhill for a period of fifteen years, will not act as an officer, director or promoter, or own collectively or singly greater than 20% of a reporting issuer;
- (v) Tulotsang, for a period of two years, will not apply for registration in any capacity under Ontario securities law;
- (vi) Tulotsang, for a period of two years, will not be involved directly or indirectly in the management of a registrant or a reporting issuer;
- (vii) Tulotsang, for a period of two years, will not own, directly or indirectly, greater than a 20% interest, singly, or in conjunction with the other respondents, in any registrant or a reporting issuer;

- (viii) Tulotsang, for a period of two years, will not act as an officer, director or promoter of a reporting issuer;

- (ix) Tulotsang will not apply for registration until successful completion of the Canadian Securities Course, the Conduct and Practices Handbook Course, and take the Partners', Directors' and Senior Officers' Qualifying Examination.

- 7. the respondents will make a single payment of \$25,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

#### V. STAFF COMMITMENT

- 63. If this settlement is approved by the Commission, Staff will not initiate any complaint to the Commission or request the Commission to hold a hearing or issue any other order in respect of any conduct or alleged conduct of the respondents in relation to the facts set out in Part III of this agreement.

- 64. If this settlement is approved by the Commission, Staff will not initiate any other proceeding against the respondents in relation to the facts set out in Part III of this agreement.

#### VI. PROCEDURE FOR APPROVAL OF SETTLEMENT

- 65. Approval of the settlement set out in this agreement shall be sought at the public hearing of the Commission scheduled for August 9, 2000, or such other date as may be agreed to by Staff and the respondents, in accordance with the procedures described in this agreement.

- 66. Staff and the respondents agree that if this agreement is approved by the Commission, it will constitute the entirety of the evidence to be submitted respecting the respondents in this matter, and the respondents agree to waive their rights to a full hearing and appeal of the matter under the Act.

- 67. Staff and the respondents agree that if this settlement is approved by the Commission, no party to this agreement will make any public statement inconsistent with this agreement.

- 68. If, at the conclusion of the settlement hearing, and for any reason whatsoever, this settlement is not approved by the Commission or an order in the form attached as Schedule 'A' is not made by the Commission:

- (a) each of Staff and the respondents will be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations, unaffected by this agreement or the settlement negotiations;

- (b) the terms of this agreement will not be referred to in any subsequent proceeding, or disclosed to any person, except with the written consent of Staff and the respondents or as may be required by law; and
- (c) the respondents agree that they will not, in any proceeding, refer to or rely upon this agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

**VII. DISCLOSURE OF AGREEMENT**

- 69. Counsel for Staff or for the respondents may refer to any part or all of this agreement in the course of the hearing convened to consider this agreement. Otherwise, this agreement and its terms will be treated as confidential by all parties to the agreement until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission, except with the written consent of all parties or as may be required by law.
- 70. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

**VIII. EXECUTION OF SETTLEMENT AGREEMENT**

- 71. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement and a facsimile copy of any signature shall be as effective as an original signature.

July 27<sup>th</sup>, 2000.

**GORDON-DALY GRENADIER SECURITIES**

"David Bregman"

"Alan Greenberg"

"Oron Sternhill"

"Wangyal Tulotsang"

**STAFF OF THE ONTARIO SECURITIES COMMISSION**

**SCHEDULE "A"**

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

**AND**

**IN THE MATTER OF  
GORDON-DALY GRENADIER SECURITIES,  
DAVID BREGMAN, ALAN GREENBERG,  
ORON STERNHILL AND WANGYAL TULOTSANG**

**ORDER**

**(Subsections 127(1) and 127.1)**

**WHEREAS** on July 27, 2000, the Ontario Securities Commission (the "Commission") issued a notice of hearing pursuant to subsections 127(1) and 127.1 of the *Securities Act* (the "Act") in respect of Gordon-Daly Grenadier Securities ("Gordon-Daly"), David Bregman ("Bregman"), Alan Greenberg ("Greenberg"), Oron Sternhill ("Sternhill") and Wangyal Tulotsang ("Tulotsang");

**AND WHEREAS** Gordon-Daly, Bregman, Greenberg, Sternhill and Tulotsang entered into a settlement agreement dated July 27, 2000 (the "Settlement Agreement") in which they agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

**AND UPON** reviewing the Settlement Agreement and the statement of allegations of Staff of the Commission, and upon hearing submissions from counsel for Gordon-Daly, Bregman, Greenberg, Sternhill and Tulotsang and from Staff of the Commission;

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

**IT IS ORDERED THAT:**

- (1) the Settlement Agreement dated July 27, 2000, attached to this Order, is hereby approved;
- (2) pursuant to clause 2 of subsection 127(1) of the Act, Bregman and Sternhill are each prohibited from trading in securities for a period of three years effective from the date of this Order;
- (3) pursuant to clause 2 of subsection 127(1) of the Act, Greenberg is prohibited from trading in securities for a period of one year effective from the date of this order;
- (4) pursuant to clause 6 of subsection 127(1) of the Act, Gordon-Daly, Bregman, Greenberg, Sternhill and Tulotsang are hereby reprimanded;
- (5) pursuant to clause 1 of subsection 127(1) of the Act, the registration of each of Gordon-Daly, Bregman (for a period of sixteen years), Greenberg (for a period of fifteen years), Sternhill (for a period of fifteen years) and Tulotsang (for a period of two years) is hereby suspended effective forty-five days from date of this order;

- (6) Gordon-Daly shall, on or before three days from the date of this order, send to each of its clients a letter substantially in the form attached as Schedule "B" to the Settlement Agreement;
- (7) pursuant to clause 1 of subsection 127(1) of the Act, the following terms and conditions are hereby imposed upon the registration of Gordon-Daly:
- (a) the registrant will not act as principal or as agent in the purchase or sale of any securities to a client of the registrant;
  - (b) the registrant shall, within thirty days of the date of this order, cease to carry on its activities as a securities dealer;
  - (c) the registrant shall limit 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 those securities and balances to a firm that is a member of the Investment Dealers Association of Canada (the "IDA"), upon the request of the client. Gordon-Daly will pay all costs of transfers of clients' securities and credit salaries from Gordon-Daly to a firm that is a member of the IDA. The return of all clients' securities and free credit balances or the transfer of those securities and balances to a firm that is a member of the IDA must be completed prior to the effective date of suspension of the registration of the registrant;
  - (d) the registrant shall file the following documents with the Manager of Compliance of the Ontario Securities Commission ("the Manager") on the following dates:
    - (i) thirty days after the date of suspension, a balance sheet of the registrant reported thereon by the registrant's independent auditor without qualification as at the date of suspension, or such other date as may be agreed upon between the registrant and the Manager; and
    - (ii) forty-five days after the date of suspension or such other date as may be agreed upon between the registrant and the Manager, a comfort letter prepared by the registrant's independent auditor in accordance with section 5815 of the CICA Handbook confirming that the financial obligations of Gordon-Daly to its clients have been discharged.
  - (e) in the course of transferring client accounts to a firm that is a member of the IDA, the registrant shall 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;
- (f) The registrant will not:
- (i) reduce its share capital in any manner, including the redemption, re-purchase or cancellation of any of its shares;
  - (ii) reduce or repay any indebtedness which has been subordinated;
  - (iii) directly or indirectly make any payments, including payments by way of reimbursement for services rendered, loan, advance, bonus, dividend, repayment of capital or other distribution to:
    - (a) any director, officer, partner or shareholder of the registrant; or
    - (b) any related, associated or affiliated person or company of the registrant or of any such person; or
    - (c) any director, officer, partner or shareholder of such a related, associated or affiliated person or company; or
  - (iv) increase its capital assets as defined pursuant to section 3060 of the CICA Handbook unless pursuant to a commitment entered into prior to July 12, 2000;  
  
until such time as the registrant files with the Manager of Compliance of the Ontario Securities Commission an auditor's comfort letter in accordance with section 5815 of the CICA Handbook confirming that Gordon-Daly's financial obligations to its clients have been discharged.
- (8) pursuant to clause 127.1(2)(b) of the Act, the respondents are ordered to make payment in the amount of \$25,000 by certified cheque to the Commission.

August 9<sup>th</sup>, 2000.

"J. A. Geller"

"Robert W. Korthals"

"R. Stephen Paddon"

**SCHEDULE "B"**

[on letterhead of Gordon-Daly]

Dear [client]:

We are writing to advise that Gordon-Daly Grenadier Securities ("Gordon-Daly") is proceeding with the orderly wind-up of its business and affairs.

Gordon-Daly wishes to avoid inconveniencing you during this period of transition and so the purpose of this letter is to tell you about the two options available to you regarding your account with Gordon-Daly:

- (A) *You receive your cash and securities* - If you choose option 'A' on the form attached, Gordon-Daly will deliver to you by mail to your address of record the cash and/or securities currently held in your account.
- (B) *We transfer your account* - If you choose option 'B' on the form attached, Gordon-Daly will transfer your account to any firm, designated by you, that is a member of the Investment Dealers Association.

Please choose your preferred option and return the attached form to Gordon-Daly in the enclosed postage-paid envelope. Please be advised that if you do nothing or if we do not receive your instructions by [date], your account will automatically be transferred to [firm].

Should you have any questions, you should feel free to call our offices in Toronto at 416-[insert telephone number].

Thank you very much.

Yours truly,

**2.1.5 National Fuel Exploration Corporation - MRRS Decision**

**Headnote**

Mutual Reliance Review System for Exemptive Relief Applications - Decision declaring successor corporation to be no longer a reporting issuer where all the securities of the issuer are held by the parent company following a take-over bid and amalgamation.

**Applicable Ontario Statutes**

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

**IN THE MATTER OF  
THE SECURITIES LEGISLATION  
OF ALBERTA, ONTARIO, QUÉBEC,  
BRITISH COLUMBIA, 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 NATIONAL FUEL EXPLORATION  
CORP.,  
THE SUCCESSOR TO TRI LINK RESOURCES LTD.**

**MRRS DECISION DOCUMENT**

1. **WHEREAS** the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Ontario, British Columbia, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland (the "Jurisdictions") has received an application from National Fuel Exploration Corp. ("NFEC"), the successor corporation to Tri Link Resources Ltd. ("Tri Link") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that NFEC be declared to no longer be a reporting issuer under the Legislation;
2. **AND WHEREAS** pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Alberta Securities Commission is the principal regulator for this application;
3. **AND WHEREAS** NFEC has represented to the Decision Makers that:
- 3.1 NFEC is a corporation created under the *Business Corporations Act* (Alberta) ("ABCA") as a result of the amalgamation of National Fuel Exploration Corp. (Pre-Amalgamation NFEC) and Tri Link on June 16, 2000;

## Decisions, Orders and Rulings

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- 3.2 NFEC is currently a reporting issuer in each of the Jurisdictions and is not in default of its obligations as a reporting issuer under the Legislation;
- 3.3 NFEC's authorized capital consists of an unlimited number of common shares ("Common Shares") of which 115,000,001 Common Shares are issued and outstanding;
- 3.4 there are no securities, including debt obligations, currently issued and outstanding other than the Common Shares;
- 3.5 as a result of the successful completion of a take-over bid by Pre Amalgamation NFEC and the subsequent exercise of the compulsory acquisition provisions of the ABCA, Pre Amalgamation NFEC became the sole owner of all of the issued and outstanding common shares of Tri Link on June 16, 2000;
- 3.6 on June 16, 2000, Pre-Amalgamation NFEC and Tri Link amalgamated under the ABCA to create NFEC;
- 3.7 NFEC's parent company, Seneca Resources Corporation, is the sole owner of all of the issued and outstanding Common Shares of NFEC;
- 3.8 the common shares of Tri Link were delisted from trading on The Toronto Stock Exchange on June 20, 2000 and no securities of Tri Link or NFEC are listed or traded on any exchange or market in Canada or elsewhere;
- 3.9 NFEC does not intend to seek public financing by way of an issue of securities;
4. **AND WHEREAS** under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");
5. **AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;
6. **THE DECISION** of the Decision Makers under the Legislation is that NFEC is deemed to be no longer a reporting issuer under the Legislation as of the date of this Decision Document.

DATED this 28th day of July, 2000.

"Originally signed by"

\_\_\_\_\_  
Patricia Johnston  
Director, Legal Services & Policy Development

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## Chapter 3

# Reasons: Decisions, Orders and Rulings

### 3.1 Reasons

#### 3.1.1 Gordon-Daly Grenadier Securities, David Bregman, Alan Greenberg, Oron Sternhill and Wangyal Tulotsang

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

AND

IN THE MATTER OF GORDON-DALY GRENADIER  
SECURITIES,  
DAVID BREGMAN, ALAN GREENBERG, ORON  
STERNHILL AND  
WANGYAL TULOTSANG

Hearing: August 9, 2000

Panel: John A. Geller, Q.C. - Vice-Chair  
R. Korthals - Commissioner  
R. S. Paddon, Q.C. - Commissioner

Counsel: Johanna Superina - For the Staff of the  
Kathryn Daniels Ontario Securities  
Commission

Brian Grosman, Q.C. - For Gordon-Daly  
Grenadier Securities,  
David Bregman, Alan  
Greenberg, Oron  
Sternhill and Wangyal  
Tulotsang

#### DECISION AND REASONS

In the Settlement Agreement submitted to us, the Respondents admit that during the period from 1996 to 1999 virtually all of Gordon-Daly's business consisted of acquiring stock for its own account and selling that stock to its clients, that in excess of 90% of its revenue during the period was derived from principal trading in the stock of 13 issuers, and that during the period in which Gordon-Daly was selling the stock, most of the trading (in all cases over 80%, in 10 cases over 90%, and in 9 cases 95% or more) in the stock of the 13 issuers was accounted for by Gordon-Daly.

They further admit that Gordon-Daly acquired stock in the 13 issuers at prices significantly lower than its selling price to its clients, the mark-ups which it charged ranging from approximately 56% to approximately 324%, and that such mark-up were excessive. We agree that these mark-up were excessive. In our view, they were exorbitant.

The Respondents admit that, during the material time, Gordon-Daly failed to keep such books, records and other documents as are required under Ontario securities law, and, in particular, as are required under Section 19 of the Securities Act.

The Respondents admit that they may have failed to deal fairly, honestly and in good faith with their clients, in breach of the requirements set out in Ontario securities law, in particular subsections 2.1 (1) and (2) of Rule 31-505, may not have acted in the best interests of their clients, and acted contrary to the public interest. Messrs. Bregman, Greenberg, Sternhill and Tulotsang admit that each of them authorized, permitted or acquiesced in Gordon-Daly's contraventions, and acted contrary to the public interest.

We can only conclude, based on the admitted facts, that the Respondents did in fact fail to deal fairly, honestly and in good faith with their clients, and did breach Ontario securities law in this respect, and that they did not, in fact, act in the best interests of their clients. Principal sales by a dealer at excessive mark-ups, especially when the dealer is able to set the selling price because it is a party to most of the trades in the securities, just cannot be considered to be fair dealing or in the interests of clients. A dealer owes, in our view, a duty to its clients, whether expressed as a fiduciary obligation or not, to act in the clients' best interests, being entitled, of course, to make a fair profit from the dealings. The sorts of mark-ups admitted can by no stretch of the imagination be considered to result in a fair profit. Dealers can engage in principal transactions with their clients, making full and fair disclosure, but if they do so they have, in our view, an enhanced obligation to ensure that they are dealing "fairly, honestly and in good faith" with, and acting in the best interests of, the clients in connection with those transactions.

Messrs. Sternhill and Bregman admit that each made statements in certain Form 41 applications that were misleading or untrue, in breach of Ontario securities law, and contrary to the public interest, and Mr. Greenberg admits that, as a registered officer of Gordon-Daly he either authorized, permitted or acquiesced in the making of these misstatements.

Given these facts and findings, it is clear to us that sanctions must be imposed on the Respondents under subsection 127(1) of the Act. Sanctions should be imposed if, and to the extent that, it is necessary to do so to protect the Ontario capital markets and investors from a repetition of these activities by the respondents, and for the purpose of general deterrence.

As submitted by Commission staff, the conduct of the Respondents gives rise to fundamental and serious concerns about the integrity of Gordon-Daly's business and the role played by its officers.



We have taken into account the fact that, as submitted by Staff, by making the admissions which they did, the Respondents have avoided the necessity of the Commission conducting a lengthy hearing.

Staff have also submitted that the order sought by the parties is in the public interest, in that it:

- (a) represents a public censure by the Commission of Gordon-Daly and its principals' conduct;
- (b) requires Gordon-Daly to cease doing business;
- (c) ensures an orderly wind-up of the firm's affairs;
- (d) removes trading privileges for Messrs. Bregman and Sternhill for a period of three years, and removes trading privileges for Mr. Greenberg for a period of one year;
- (e) ensures that the three principals, Messrs. Bregman, Greenberg and Sternhill, are removed from positions of trust and authority in the capital markets for a substantial period of time, and that Mr. Tulotsang, whose activities at Gordon-Daly were under the direction of Mr. Bregman, is prohibited from participating as a registrant, officer, director or promoter for two years, and must successfully complete required courses prior to application for registration;
- (f) serves as a strong deterrent both to the Respondents and to all other participants in the capital markets from engaging in conduct contrary to the best interests of clients and contrary to the public interest; and
- (g) provides for some compensation to the Commission in respect of the costs incurred by the Commission in conducting its investigation and hearing in this matter.

It is clear to us that Gordon-Daly should no longer be permitted to engage as an intermediary in the securities business. It is also clear to us that its principals, Messrs. Bregman, Greenberg and Sternhill, should be prevented from engaging in registerable activities for lengthy periods.

We agree that the sanctions sought to be imposed in the proposed order are appropriate, and no more than is necessary, for the protection of Ontario capital markets and investors.

Accordingly, we approve the Settlement Agreement as it has been amended, and make the proposed order.

August 9<sup>th</sup>, 2000.

"J. A. Geller"

"Robert W. Korthals"

"R. Stephen Paddon"

## Chapter 4

# Cease Trading Orders

### 4.1.1 Temporary Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Rescinding Order
Canuc Resources Corporation	July 21/2000	Aug 2/2000	—	---
Futureline Communications Co.Ltd.	July 21/2000	Aug 2/2000	—	---
FT Capital Ltd.	July 17/2000	July 28/2000	—	---
Brex Exploration Inc.	July 17/2000	July 28/2000	—	---
Cassidy's Limited	July 17/2000	July 28/2000	—	---
Verdx Minerals Corporation	July 17/2000	July 28/2000	—	---
Probe Exploration Inc.	July 17/2000	July 28/2000	—	---
Sonora Diamond Corp. Ltd.	July 19/2000	July 31/2000	—	---

### 4.1.2 Extending Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Rescinding Order
Abacan Resource Corporation	June 30/2000	---	July 13/2000	---
Hartland Pipeline Services Ltd.	June 30/2000	---	July 13/2000	---
Golden Trend Petroleum Ltd.	June 30/2000	---	July 13/2000	---
Merit Energy Ltd.	June 30/2000	---	July 13/2000	---
Sonora Diamond Corp. Ltd.	July 19/2000	---	July 31/2000	---
Verdx Minerals Corporation	July 17/2000	---	July 28/2000	---
Probe Exploration Inc.	July 17/2000	---	July 28/2000	---
Cassidy's Limited	July 17/2000	---	July 28/2000	---
Brex Exploration Inc.	July 17/2000	---	July 28/2000	---
FT Capital Limited	July 17/2000	---	July 28/2000	---

**4.1.3 Rescinding Cease Trade Orders**

<b>Company Name</b>	<b>Date of Order or Temporary Order</b>	<b>Date of Hearing</b>	<b>Date of Extending Order</b>	<b>Date of Rescinding Order</b>
Tagalder Incorporated	June 21/2000	---	---	July 28/2000
IBI Corporation	June 8/2000	---	---	July 28/2000

**Chapter 5**  
**Rules and Policies**

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IN THIS ISSUE

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## Chapter 6

# Request for Comments

## 6.1 Request for Comments

### 6.1.1 Notice of Proposed Changes to Proposed National Instrument 45-101 Rights Offering, Companion Policy 45-101CP and Form 45-101F and Rescission of Certain Policies

#### NOTICE OF PROPOSED CHANGES TO PROPOSED NATIONAL INSTRUMENT 45-101 RIGHTS OFFERINGS, COMPANION POLICY 45-101CP AND FORM 45-101F AND RESCISSION OF CERTAIN POLICIES

#### Substance and Purpose of Proposed National Instrument and Companion Policy

On November 21, 1997 the Ontario Securities Commission together with the other members of the Canadian Securities Administrators (the "CSA") published proposed National Instrument 45-101 (the "Instrument"), proposed Companion Policy 45-101CP (the "Policy") and proposed Form 45-101F (the "Form") and the Ontario Securities Commission published notice of its intention to rescind certain policies. The CSA received several comments on the Instrument, Policy and Form and is today republishing them. The republication includes proposed amendments to the Instrument and Policy relating to changing the period during which a rights offering may remain open, expanding the list of persons or companies who may act as depositories, deleting the prohibition on rights offerings priced above the market, redefining the restrictions on certain securityholders' ability to take up under a rights offering in excess of their current proportionate share if the rights offering is priced above the market or if there is no market from which to derive a price for the underlying securities, as well as some minor drafting and definitional changes. The republication includes proposed changes to the Form regarding the amount of disclosure relating to the issuer to be included and deleting the certificate.

The substance and purpose of the Instrument is to prescribe the basis on which an issuer may, by way of a rights offering, sell additional securities of its own issue to holders of its securities either by way of a prospectus or in reliance on the rights offering prospectus exemptions found in Canadian securities legislation. In order to utilize the exemptions in the Canadian securities legislation, the issuer must send to the Canadian securities regulatory authority or regulator (the "reviewing authority") information about the securities that it proposes to offer which the reviewing authority determines to be acceptable. A reviewing authority may object to the use of the rights offering prospectus exemption and rights offering registration exemption.

The Instrument requires that issuers seeking to use the rights offering prospectus exemption provide the reviewing authority in a jurisdiction in which the rights offering is effected with

information about the issuer, including information previously delivered to the issuer's securityholders but not available through SEDAR, to permit the reviewing authority to confirm that securityholders have been provided with current information about the affairs of the issuer and are not in need of a prospectus for the rights offering. This information will allow the reviewing authorities to assess if the rights offering is being made in compliance with the Instrument and that the terms of the offering are clearly stipulated, and to ensure that the offering has not been structured for the purpose of allowing an insider to increase its proportionate ownership interest in the issuer's securities. The Instrument also requires issuers to provide information to securityholders in accordance with the Form prescribed.

The Instrument provides that the rights offering prospectus exemption is unavailable in certain circumstances including where:

- (a) as a result of the exercise of the rights under the offering and the exercise of rights issued within the previous 12 months there would be an increase of more than 25 percent in the number, or, in the case of debt, the principal amount, of the outstanding securities of the class to be issued upon the exercise of the rights;
- (b) the rights are exercisable for securities of a class which were not previously outstanding;
- (c) there is an agreement to compensate dealers in a manner which encourages solicitation of the exercise of rights by holders of rights that were not securityholders of the issuer immediately prior to the rights offering;
- (d) there is a minimum amount of proceeds necessary to conduct the purpose for which the funds are being raised and the offering is open for more than 45 days;
- (e) the issuer is not a reporting issuer in any jurisdiction and the offering is open for more than 60 days; and
- (f) the issuer is a reporting issuer in any jurisdiction and the offering is open for more than 90 days.

Finally, the Instrument advises issuers that approval by the reviewing authority of the listing representations required in the Form will be evidenced by the acceptance of the rights offering circular, and that the approval by the reviewing authority of listing representations contained in a prospectus will be evidenced by a receipt for the prospectus.

The purpose of the Policy is to provide information on the factors that the reviewing authorities will consider in

determining whether to object to the offering proceeding under the rights offering prospectus exemption or in refusing to issue a receipt for a prospectus used for a rights offering. The Policy also provides guidelines relating to a number of provisions found in the Instrument including how to calculate certain numerical thresholds, the various types of evidence that may be used to establish that a person or company supplying a stand-by commitment will be positioned to meet its obligations under the commitment, and the use of the rights offering registration exemption independently from the rights offering prospectus exemption. The Policy also provides notice that the issuer may, in certain circumstances, need to implement a mechanism to "claw back" securities subscribed for by insiders.

Finally, the Policy cautions issuers that excluding securityholders resident in a particular jurisdiction, if there is sufficient connection to the jurisdiction, may cause the Canadian securities regulatory authority in the jurisdiction to consider taking action against the issuer and its directors and officers.

The Instrument, Policy and Form are initiatives of the CSA. The Instrument is expected to be adopted as a rule in British Columbia, Alberta, Manitoba, Ontario and Nova Scotia, as a Commission regulation in Saskatchewan and as a policy in all other jurisdictions represented by the CSA. The Policy is expected to be implemented as a policy in all of the jurisdictions represented by the CSA. The Instrument and Policy are substantially similar to administrative practices and policies of the Canadian securities regulatory authorities including Uniform Act Policy Statement No. 2-05, British Columbia Securities Commission Policy Statement No. 3-05, Alberta Securities Commission Policy Statement No. 5.2 and Ontario Securities Commission Policy Statement No. 6.2, which they replace.

The Instrument and Policy implement, in part, the recommendation of the CSA Task Force on Operational Efficiencies that Canadian securities regulatory authorities increase the co-ordination of regulation, including standardization of requirements.

Terms used in the Policy that are defined or interpreted in the Instrument or a definition instrument in force in the jurisdiction should be read in accordance with the Instrument or definition instrument, unless the context otherwise requires.

### Summary of the Instrument, Policy and Form

Under Canadian securities legislation the issuer must send to the reviewing authority information about the securities offered under the rights offering. A reviewing authority may object to the use of the rights offering prospectus exemption and rights offering registration exemption.

For rights offerings made in reliance on a rights offering prospectus exemption, the most significant change to the regulatory regime is the requirement to prepare and deliver to the reviewing authorities an offering circular in accordance with the Form. The Form must be delivered initially in draft form to the reviewing authorities in the jurisdictions in which the rights offering is effected together with various documents that will allow the reviewing authorities to determine that the use of the

rights offering prospectus exemption is appropriate in the circumstances.

For rights offerings made under a prospectus, the most significant change to the regulatory regime is the codification of the requirement that the prospectus qualify the distribution of securities issuable upon the exercise of rights as well as the rights issued under the prospectus.

The Instrument also harmonizes the practice of some of the Canadian securities regulatory authorities on stand-by commitments, the additional subscription privilege and the appointment of a depository for a rights offering.

The Instrument prohibits an issuer from filing a prospectus or an amendment to a prospectus or relying on the rights offering prospectus exemption for a rights offering if the issuer or the rights offering do not comply with the requirements of the Instrument.

The Instrument provides that the rights offering prospectus exemption is unavailable in certain circumstances. These circumstances include:

- (a) as a result of the exercise of the rights under the offering and the exercise of rights issued within the previous 12 months there would be an increase of more than 25 percent in the number, or, in the case of debt, the principal amount, of the outstanding securities of the class to be issued upon the exercise of the rights;
- (b) the rights are exercisable for securities of a class which were not previously outstanding;
- (c) there is an agreement to compensate dealers in a manner which encourages solicitation of the exercise of rights by holders of rights that were not securityholders of the issuer immediately prior to the rights offering;
- (d) there is a minimum amount of proceeds necessary to conduct the purpose for which the funds are being raised and the offering is open for more than 45 days;
- (e) the issuer is not a reporting issuer in any jurisdiction and the offering is open for more than 60 days; and
- (f) the issuer is a reporting issuer in any jurisdiction and the offering is open for more than 90 days.

The Instrument provides an exemption from compliance with it if there is minimal connection of the issuer to the jurisdiction or to Canada based on number of securityholders and percentage of capital held by securityholders.

Finally, the Instrument advises issuers that the approval of the reviewing authority to the listing representations required in the Form will be evidenced by the acceptance of the rights offering circular, and the approval of the reviewing authority to listing representations in a prospectus will be evidenced by the prospectus receipt.

The Policy sets out some factors that the reviewing authorities will consider in determining whether to object to the offering proceeding under the rights offering prospectus exemption. The Policy also provides guidelines as to how certain thresholds are to be calculated as well as the types of evidence suggested to establish the financial ability of a person or company supplying a stand-by commitment to meet its obligations under the commitment.

The Policy advises that the regulators may, in certain circumstances, refuse to issue a receipt for a prospectus under which rights are issued if the rights are exercisable into convertible securities and the securities underlying the convertible securities are not qualified by the prospectus.

The Policy also provides notice of the position of the Canadian securities regulatory authorities on using the rights offering registration exemption independently from the rights offering prospectus exemption.

The Policy provides notice that the issuer may need a mechanism such as an escrow to "claw back" securities subscribed for by insiders.

The Policy advises issuers that excluding securityholders resident in a particular jurisdiction, if there is sufficient connection to the jurisdiction, may cause the Canadian securities regulatory authority in the jurisdiction to consider taking action against the issuer and its directors and officers.

The Form requires disclosure of the name of the issuer, a summary of the offering, a brief description of the business of the issuer, details of the rights and securities being offered, details of the registration and delivery of security certificates under the offering, identification of the depository, subscription agent and the transfer agent, a description of how to exercise the rights, a description of any stand-by commitments and escrowing of proceeds and depository arrangements, identification of the managing dealer and soliciting dealers, information relating to ownership or changes of ownership of the securities of the issuer as well as the use of proceeds and statements relating to transferability of rights. The Form also requires that certain statutory rights be set out.

#### Related Instruments

The Instrument, Policy and Form are related. The Policy is related, in Ontario, to subparagraph 35(1)14(i) and subclause 72(1)(h)(i) of the *Securities Act* (Ontario) (the "Ontario Act") and Ontario Securities Commission Rule 45-501 - *Exempt Distributions*.

The CSA, other than the Commission des Valeurs Mobilières du Québec, will be publishing shortly for comment a proposed multi-lateral instrument that will harmonize resale requirements for securities issued under exemptions, including the rights offering exemption. Under this proposed instrument, broader relief is expected to be provided for resales of securities of issuers that are SEDAR filers.

#### Summary of Written Comments Received by the CSA

The CSA received five comments on the original publication of the Instrument, Policy and Form. The commentators were:

- (i) McDermid St. Lawrence Securities Inc.
- (ii) Thomson Kernaghan & Co. Ltd.
- (iii) Davies, Ward & Beck
- (iv) Osler, Hoskin & Harcourt
- (v) Stikeman, Elliott

The commentators were generally positive with respect to the Instrument and Policy. Generally speaking, the concept of harmonization to the extent possible was acknowledged as a positive step. However, some of the commentators were concerned that there is not complete harmonization in the Instrument which may lead to problems for issuers using the Instrument in jurisdictions in which there is disharmony.

Three of the commentators were concerned about the provision stating that an issuer cannot rely on the rights offering prospectus exemption to issue rights that are exercisable into a class of securities which are not already in existence.

*This has always been the position of staff of the Canadian securities regulatory authorities and is not a new restriction on the use of the rights offering prospectus exemption. The provision in most of the local policy statements relating to the denial of the use of the statutory exemption if capital was increased by more than 25% of a particular class of securities is evidence of that position. The provision is in line with the underlying policy of the rights offering exemption in that it should not be used as a major financing initiative. Since the position has been in effect for several years and has not caused grave concerns with issuers in respect of the use of the rights offering prospectus exemption, the CSA has determined not to make any changes to that staff position.*

Two of the commentators suggested that the 30 day offering period for best efforts offerings was too short and suggested a 45 day period.

*The CSA has considered this comment and has determined to increase the offering period for best efforts offerings to 45 days. In light of this change, the CSA has also changed the offering period to 60 days for non-reporting issuers.*

One commentator suggested that the requirement that issuers provide such information as the Commission may request was too broad.

*This provision basically reflects the language in most of the Canadian securities legislation relating to whether or not the particular securities regulatory authority would object to the use of a rights offering exemption. In light of this, the CSA has determined not to make a change in this provision.*

One commentator suggested that the requirement to send information to shareholders generally rather than just to securityholders entitled to receive rights was an onerous provision on the issuer.

*The CSA has determined that the requirement was onerous in light of the fact that all of the information that is required to be*



*delivered is generally continuous disclosure documents which should be available through SEDAR.*

One commentator raised a concern over the practicality of a four day review for amendments while two suggested that the blanket prohibition on amendments to the terms was inappropriate.

*Given that rights have only two specific elements on which to price their trading in the market (i.e. the subscription price and the expiry date), it was determined by the CSA that a change to these two provisions could adversely affect holders who had previously traded the securities on the basis of that market information. Therefore the CSA will retain its position that amendments to the terms of the rights offering are not permitted and that an issuer wishing to abandon a rights offering and commence a new rights offering based on different terms should do so in that way. The timing for review has been shortened to two days to accord with the provisions in Canadian securities legislation in Quebec.*

One commentator suggested that maximum pricing should not be regulated.

*The CSA has considered this position and determined that, so long as insiders do not take more than their pro rata portion of the offering, above market pricing will not be prohibited. The National Instrument has been amended to reflect this position.*

One commentator suggested that evidence of the financial resources of a standby commitment is unnecessary.

*The CSA disagree with this position as the failure of the standby commitment could affect the securityholders who exercise their rights on the basis of this commitment being available.*

Two commentators suggested that obtaining information on who is a "related party" under the National Instrument is a difficult task.

*The CSA realizes that this is a difficult task and has changed this test to insiders.*

Finally, one commentator was concerned that the certificate requirement on the Form was too onerous.

*The CSA has determined to delete the certificate requirement.*

In respect of the Policy, one commentator suggested expanding to all jurisdictions the provision relating to junior issuers using registrants to act as depository.

*The CSA has considered this position and has accepted it. The National Instrument has been revised accordingly.*

One commentator suggested that aggregation relief should be provided to certain "related parties" to permit them to increase their pro rata share in a rights offering in certain circumstances.

*The CSA has considered this and has changed the test to insiders so the comment is no longer applicable.*

Several commentators provided drafting comments, some of which have been reflected in the Instrument and others which have not.

### Regulations to be Revoked

The adoption of the Instrument as a rule does not require any regulation to be revoked.

### Comments

Interested parties are invited to make written submissions with respect to the proposed changes to the Instrument and Policy. Submissions received by November 10, 2000 will be considered.

Submissions should be sent to all of the Canadian securities regulatory authorities listed below in care of the Ontario Securities Commission, in duplicate, as indicated below.

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Securities Commission  
The Manitoba Securities Commission  
Ontario Securities Commission  
Office of the Administrator, New Brunswick  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon  
Registrar of Securities, Nunavut

c/o John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 800, Box 55  
Toronto, Ontario M5H 3S8

Submissions should also be addressed to the Commission des valeurs mobilières du Québec as follows:

Claude St Pierre, Secrétaire  
Commission des valeurs mobilières du Québec  
800 Victoria Square  
P.O. Box 246, 17th Floor  
Montréal, Québec H4Z 1G3

A diskette containing the submissions (in Windows format, preferably WordPerfect 6/8) should also be submitted. As securities legislation in certain provinces requires that a summary of written comments received during the comment period be published, confidentiality of submission cannot be maintained.

Questions may be referred to any of:

Wayne Redwick  
Director, Corporate Finance Division  
British Columbia Securities Commission  
(604) 899-6500  
wredwick@bcsc.bc.ca

Agnes Lau  
Deputy Director, Capital Markets  
Alberta Securities Commission  
(780) 422-2191  
agnes.lau@seccom.ab.ca

Stephen Murison  
Legal Counsel  
Alberta Securities Commission  
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#### Text of Instrument, Policy and Form

The text of the Instrument, Policy and Form follow, together with footnotes which are not part of the Instrument, Policy or Form, as applicable, but have been included to provide background and explanation.

#### Rescission of Policies

The Instrument, Policy and Form will replace, in Ontario, Uniform Act Policy Statement No. 2-05 and Ontario Securities Commission Policy Statement No. 6.2. The Ontario Securities Commission proposes to rescind these policies. The text of the proposed rescission is as follows:

"The policies of the Ontario Securities Commission entitled 'Uniform Act Policy Statement No. 2-05' and 'Ontario Securities Commission Policy Statement No. 6.2' are rescinded."

Dated: August 11, 2000.

## NATIONAL INSTRUMENT 45-101 RIGHTS OFFERINGS

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FORM 45-101F

**NATIONAL INSTRUMENT 45-101  
RIGHTS OFFERINGS<sup>1</sup>**

**PART 1 DEFINITIONS, INTERPRETATION AND  
APPLICATION<sup>2</sup>**

**1.1 Definitions - In this Instrument**

"acceptance date" means

- (i) the date that is 10 days after the notice referred to in the rights offering prospectus exemption is given to the reviewing authority, or
- (ii) if the reviewing authority has objected to the rights offering before the end of such 10 day period, the date the reviewing authority notifies the issuer by written notice that it no longer objects to the use of the rights offering prospectus exemption;

"additional subscription privilege" means the privilege, granted to a holder of a right, to subscribe for securities not subscribed for under a basic subscription privilege;

"basic subscription privilege" means a privilege to subscribe for that number of securities set out in a rights certificate held by a holder of the rights certificate;

"class" includes a series of a class of securities;

"managing dealer" means a dealer that has entered into an agreement with an issuer under which the dealer has agreed to organize, and

participate in, the solicitation of the exercise of rights issued by the issuer;

"market price" means for securities of a class for which there is a published market

- (a) except as provided in paragraph (b)
  - (i) if the published market provides a closing price, the average of the closing price of securities of that class on the published market for the days on which trading occurred during the 20 trading days immediately before the day as of which the market price is being determined, or
  - (ii) if the published market does not provide a closing price, but provides only the highest and lowest prices of securities of the class traded, the average of the averages of the highest and lowest prices of securities of the class on the published market for the days on which trading occurred during the 20 trading days immediately before the day as of which the market price is being determined, or
- (b) if trading of securities of the class in the published market has occurred on fewer than 10 of the immediately preceding 20 trading days, the average of the amounts established for each of the 20 trading days immediately before the day as of which the market price is being determined as follows:

- 1. The average of the average bid and lowest ask prices for each day on which there was no trading.
- 2. If the published market
  - (i) provides a closing price of securities of the class for the days that trading occurred, the closing price, or
  - (ii) provides only the highest and lowest prices of securities of the class traded, the average of the average of the highest and lowest prices of securities of the class for the days that trading occurred;

"published market" means, for a class, a market on which securities of the class are traded that is

<sup>1</sup> This proposed National Instrument is derived from policies and administrative practices of Canadian securities regulatory authorities relating to rights offerings including Uniform Act Policy No. 2-05, in British Columbia, Local Policy Statement No. 3.05, in Alberta, Alberta Securities Commission Policy Statement No. 5.2 and in Ontario, Ontario Securities Commission Policy Statement No. 6.2. This proposed National Instrument is expected to be adopted as a rule in British Columbia, Alberta, Manitoba, Ontario and Nova Scotia, as a Commission regulation in Saskatchewan and as a policy in all other jurisdictions represented by the CSA.

<sup>2</sup> A national definition instrument has been adopted as National Instrument 14-101 Definitions. It contains definitions of certain terms used in more than one national instrument. National Instrument 14-101 also provides that a term used in a national instrument and defined in the statute relating to securities of the applicable jurisdiction, the definition of which is not restricted to a specific portion of the statute, will have the meaning given to it in the statute relating to securities of that jurisdiction. National Instrument 14-101 also provides that a provision in a national instrument that specifically refers by name to a jurisdiction, other than the local jurisdiction shall not have any effect in the local jurisdiction, unless otherwise stated in the provision.

- (a) an exchange; or
- (b) a quotation and trade reporting system, if the prices at which securities of the class have traded on that market are regularly published in a publication of general and regular paid circulation;

"reviewing authority" means

- (a) in all jurisdictions except British Columbia, Alberta and Saskatchewan, the securities regulatory authority or regulator; and
- (b) in British Columbia, Alberta and Saskatchewan, the regulator;<sup>3</sup>

"rights offering" means

- (a) in all jurisdictions except British Columbia, the issuance by an issuer to its securityholders of
  - (i) a right to purchase additional securities of the issuer's own issue, and
  - (ii) securities on exercise of the right; and
- (b) in British Columbia, the issuance by an issuer to its securityholders of a right to purchase additional securities of the issuer's own issue;

"rights offering prospectus exemption" means the exemption in securities legislation from the prospectus requirement<sup>4</sup> for a rights offering;

"rights offering registration exemption" means the exemption in securities legislation from the trading registration requirement for a rights offering;

"soliciting dealer"<sup>5</sup> means a person or company the interest of which in a rights offering is limited to participating in the solicitation of the exercise of rights by holders of those rights;

"stand-by commitment" means an agreement by a person or company to acquire securities of an issuer not issued under the basic subscription privilege or the additional subscription privilege available under a rights offering; and

"subscription price" means the price per security at which the securities issuable on the exercise of rights may be subscribed for under a rights offering.

1.2

**Interpretation** - For the purpose of the definition of "market price", if there is more than one published market for a security,

- (a) if only one of the published markets is in Canada, the market price shall be determined solely by reference to that market;
- (b) if there is more than one published market in Canada, the market price shall be determined solely by reference to the published market in Canada on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the date as of which the market price is being determined; and
- (c) if there is no published market in Canada, the market price shall be determined solely by reference to the published market on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the date on which the market price is being determined.

1.3

**Application**

- (1) This Instrument applies to an issuer that distributes, by way of a rights offering, securities of its own issue to a beneficial

<sup>3</sup> In some jurisdictions, notably British Columbia, Alberta and Saskatchewan, it is the regulator and not the securities regulatory authority that has the discretion to object to a rights offering proceeding in reliance on the rights offering prospectus exemption. The term "securities regulatory authority" is defined in National Instrument 14-101 Definitions. The definition is the securities commission or similar regulatory authority in the local jurisdiction listed in an appendix to that instrument. The term "regulator" is defined in National Instrument 14-101 Definitions as meaning, in a jurisdiction, the person listed in an appendix to that instrument.

<sup>4</sup> The term "prospectus requirement" is defined in National Instrument 14-101 as the requirement in securities legislation that prohibits a person or company from distributing a security unless a preliminary prospectus and prospectus for the security have been filed and receipts obtained for them. The term "securities legislation" is defined in National Instrument 14-101 Definitions as meaning the particular statute and legislative instruments of the local jurisdiction set out in an appendix to that instrument and will generally include the statute, regulations and, in some cases, rules, rulings, orders and forms relating to securities in the local jurisdiction. The term "local jurisdiction" is defined in the National

Instrument 14-101 Definitions. The definition is "in a national instrument adopted or made by a Canadian securities regulatory authority, the jurisdiction in which the Canadian securities regulatory authority is situate".

<sup>5</sup> The above provision has been conformed from the definition of "selling group member" in section 204 of the Regulation to the *Securities Act* (Ontario).

holder of its securities that is resident in the local jurisdiction<sup>6</sup>.

- (2) This Instrument applies to rights offerings whether made by way of a prospectus or in reliance upon the rights offering prospectus exemption.

## PART 2 REMOVAL OF RIGHTS OFFERING PROSPECTUS EXEMPTION

**2.1 General** - The rights offering prospectus exemption is not available to an issuer unless the issuer and the rights offering comply with the requirements of Parts 3, 5, 6, 7 and 8 of this Instrument.

**2.2 Restricted Offerings** - The rights offering prospectus exemption is not available to an issuer for a rights offering in any of the following circumstances:

1. The issuer is a reporting issuer in any jurisdiction and there would be an increase of more than 25 percent in the number, or, in the case of debt, the principal amount, of the outstanding securities of the class to be issued upon the exercise of rights, assuming the exercise of all rights issued under the offering and the exercise of any other rights issued by the issuer under the rights offering prospectus exemption during the 12 months immediately before the acceptance date.
2. The issuer has entered into an agreement to compensate a person or company for soliciting the exercise of rights issued under the offering that provides for payment of a higher fee for soliciting the exercise of rights by holders of rights that were not securityholders of the issuer immediately before the rights offering than the fee payable for soliciting the exercise of rights by holders of rights that were securityholders at that time.
3. The offering is conditional on a minimum amount of proceeds being raised and the exercise period for the rights is more than 45 days after the acceptance date.<sup>7</sup>

<sup>6</sup> The term "jurisdiction" is defined in National Instrument 14-101 Definitions as meaning "a province or territory of Canada except when used in the term foreign jurisdiction". Given the extensive use of book-based systems to register securities, a "residency" test has been imposed.

<sup>7</sup> If there is a minimum amount of proceeds required, the Canadian securities regulatory authorities wish to limit the amount of time during which a rightholder and other

4. The issuer is not a reporting issuer in any jurisdiction and the exercise period for the rights is more than 60 days after the acceptance date.<sup>8</sup>

5. The issuer is a reporting issuer in any jurisdiction and the exercise period for the rights is more than 90 days after the acceptance date.<sup>9</sup>

6. The issuer is a reporting issuer in any jurisdiction and the exercise period for the rights is less than 21 days after the date on which the rights offering circular is sent to securityholders under subclause 3.3(a)(i).

7. The issuer appears on the list of defaulting reporting issuers maintained by the securities regulatory authority.

## PART 3 PROSPECTUS EXEMPT OFFERINGS

### 3.1 Deliveries to the Reviewing Authority

(1) An issuer that is required to provide notice under the rights offering prospectus exemption shall send to the reviewing authority the following documents:

1. A rights offering circular in draft and final form prepared in accordance with Form 45-101F.<sup>10</sup>

<sup>8</sup> securityholder will not know if the transaction will proceed. In the case of an issuer with no continuous disclosure requirements the amount of time during which a rightholder should be required to rely on the disclosure contained in the circular and any other information provided by the issuer to its securityholders must be limited. In other circumstances, it is important that the rights offering not be left open indefinitely because of concerns over the rights offering circular disclosure becoming outdated.

<sup>9</sup> It is important that the rights offering not be left open indefinitely because of concerns over rights offering circular disclosure becoming outdated.

<sup>10</sup> Form 45-101F is the required form. The form is designed to serve as a simple checklist for issuers and their advisors for the preparation of a rights offering circular. The form mandates the disclosure currently required by the rights offering prospectus exemption and items (4) through (7) of Uniform Act Policy No. 2-05. The disclosure required by the form relates principally to the securities being offered and the procedure for exercise of the rights. This is consistent with the policy rationale underlying the rights offering prospectus exemption, which is that existing securityholders of the issuer do not need further disclosure about the issuer, but do require disclosure about the securities being offered, the procedures under the rights offering and the use of the proceeds to be obtained on the exercise of the rights

2. If the rights offering is being made in a foreign jurisdiction by way of a prospectus, a copy of the preliminary prospectus or, if prepared, the prospectus submitted or to be submitted for acceptance in the foreign jurisdiction.
  3. If not already filed under National Instrument 13-101 System for Electronic Document Analysis and Retrieval, the issuer's financial statements for its most recently completed financial year for which statements have been prepared and any interim financial statements prepared and filed, or required to be filed under Canadian securities legislation for reporting issuers, for a period that ends after that financial year.
  4. If not already filed under National Instrument 13-101 System for Electronic Document Analysis and Retrieval, the notice of meeting and information circular prepared and filed, or required to be filed under Canadian securities legislation, for the most recent annual meeting of securityholders of the issuer.
  5. If not already filed under National Instrument 13-101 System for Electronic Document Analysis and Retrieval, the notice of meeting and information circular prepared and filed, or required to be filed under Canadian securities legislation, for any special meeting of securityholders of the issuer held after the most recent annual meeting.<sup>11</sup>
  6. A copy of any agreement entered into, or proposed to be entered into, by the issuer with a managing dealer.<sup>12</sup>
  7. A copy of the technical reports and certificates prepared under National Instrument 43-101 Standards of Disclosure for Mineral Projects or National Policy Statement 2-B Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators or any successor instrument.
  8. The details of any other rights offering completed by the issuer within the 12 months before the date of sending to the reviewing authority the rights offering circular in draft form.
- (2) A rights offering circular in draft form may exclude information about the subscription price and other matters dependent on the subscription price.

**3.2 Requests for Additional Information** - An issuer that intends to effect a rights offering under the rights offering prospectus exemption shall send such other information to the reviewing authority as the reviewing authority may require to allow the reviewing authority to determine whether to object to the use of the rights offering prospectus exemption.<sup>13, 14</sup>

<sup>12</sup> The Canadian securities regulatory authorities are of the view that staff will be in a better position after reviewing this agreement to determine the basis on which the managing dealer and the soliciting dealers, if any, will be compensated and that the compensation has been appropriately described in the rights offering circular. Staff may also wish to confirm that there is no greater incentive for dealers to solicit the exercise of rights by new securityholders than by existing securityholders on the basis that such remuneration would offend the spirit of the exemption, which is intended to permit existing securityholders (as opposed to new securityholders) to receive the securities issuable on the exercise of rights and protect themselves against dilution. This principle currently appears in item (10) of Uniform Act Policy Statement No. 2.05 and is continued in Section 2.2 of this Instrument.

<sup>13</sup> This language is substantially similar to the statutory language for the rights offering exemption currently existing under Canadian securities legislation. Additional circumstances in which the securities regulatory authority or regulator may object to the use of the rights offering prospectus exemption are set out in the proposed Companion Policy 45-101CP to this Instrument.

<sup>14</sup> In Ontario, the Ontario Securities Commission has delegated its power to object to use of the exemption or confirm acceptance of a rights offering circular to the Director under section 6 of the *Securities Act* (Ontario).

issued under the rights offering.

<sup>11</sup> This provision is based on a requirement of the rights offering regime under Canadian securities legislation and Canadian securities directions in British Columbia and improves the quality of the information before the securities regulatory authority or regulator, allowing staff to better assess the quality of the disclosure previously provided to securityholders and the appropriateness of proceeding on a prospectus exempt basis in light of recent activity of the issuer.

**3.3 Delivery to Securityholders** - An issuer that is required to provide notice under the rights offering prospectus exemption shall send

- (a) to each securityholder entitled to receive rights under the rights offering
  - (i) a rights offering circular to which the reviewing authority has not objected or has confirmed its acceptance, and
  - (ii) concurrently with sending the rights offering circular, a copy of the prospectus, if any, referred to in paragraph 2 of section 3.1; and
- (b) to each securityholder entitled to receive rights under the rights offering and to each registered rights holder, a copy of any amendment under section 3.4.

### 3.4 Amendments

- (1) An issuer that has sent to its securityholders a rights offering circular under clause 3.3(a)(i) may amend the rights offering circular, for the purpose of updating information, by sending to the reviewing authority an amendment to the rights offering circular in draft and final form or an amended rights offering circular in draft and final form blacklined to the previously filed rights offering circular.<sup>15</sup>
- (2) The reviewing authority shall notify the issuer within two business days of the filing of an amendment to the rights offering circular in draft form or an amended rights offering circular in draft form if changes are required to the document.
- (3) Despite subsection (1), once a rights offering circular has been accepted by the reviewing authority, an issuer shall not amend the rights offering circular to change the terms of the rights offering.

## PART 4 PROSPECTUS OFFERINGS

**4.1 Reliance on Registration Exemption** - An issuer that files a prospectus for a rights offering and intends to rely on the rights offering registration exemption shall state that it intends to rely on the exemption in a letter accompanying the filing of the preliminary prospectus.

<sup>15</sup> In Quebec an amendment to a rights offering circular is required if a material change occurs after the circular has been accepted.

**4.2 Prospectus** - An issuer shall not file a prospectus for a rights offering, unless

- (a) in addition to qualifying the distribution of the rights, the prospectus qualifies the distribution of the securities issuable on the exercise of the rights<sup>16</sup>;
- (b) if there is a managing dealer, the managing dealer has signed the underwriter's certificate in the prospectus<sup>17</sup>; and
- (c) if the issuer is a reporting issuer, the exercise period for the rights is at least 21 days after the date on which the prospectus is sent to securityholders.

**4.3 Compliance with Instrument** - An issuer shall not file a prospectus or an amendment to a prospectus for a rights offering unless the issuer and the rights offering comply with the requirements of Parts 5, 6, 7 and 8 of this Instrument.

**4.4 Amendment** - An issuer shall not file an amendment to a prospectus for a rights offering to change the terms of the rights offering.

## PART 5 INSIDER SUBSCRIPTIONS<sup>18</sup>

### 5.1 Insider Subscriptions

- (1) If there is no market price, or the subscription price is greater than the market price, for securities of the class of securities issuable on the exercise of the rights, no person or company that is an insider of the issuer shall be permitted to increase its proportionate interest in the issuer through the exercise of the rights

<sup>16</sup> Given that consideration is not typically paid in connection with the issuance of rights but rather at the time the rights are exercised, to ensure the applicability of the statutory rights of action under Canadian securities legislation the prospectus must qualify the distribution of securities issuable on the exercise of the rights. This will require the issuer to keep the prospectus current for the period of time up to the earlier of the exercise of all the rights and the expiry of the rights.

<sup>17</sup> This provision formalizes the practice of the Ontario Securities Commission as set out in its notice entitled "Rights Offerings Under a Prospectus" (1989), 12 OSCB 1463.

<sup>18</sup> Concerns about pricing exist if the pricing of an offering could assist an insider in its efforts to consolidate its holdings of an issuer by discouraging non-insiders from participating in the offering. The provisions are intended to address such concerns. If consolidation is not an issue, an issuer should not be restricted by the reviewing authority in the issuer's decision as to the pricing of an offering.

under the rights offering or through a stand-by commitment.

- (2) Subsection (1) does not apply if there is no market price and the issuer, at the time that the rights offering circular in final form or the rights offering prospectus under which the rights are to be issued is sent to the reviewing authority, by notice in writing confirms to the reviewing authority that the subscription price for the securities issuable on the exercise of the rights is not greater than the fair value of the securities on the day before the date the subscription price is established.

$x$  = the aggregate number or amount of securities available through unexercised rights,

$y$  = the number of rights previously exercised by the holder under the rights offering, and

$z$  = the aggregate number of rights previously exercised under the rights offering by holders of rights that have subscribed for securities under the additional subscription privilege<sup>20</sup>.

**PART 6 STAND-BY COMMITMENTS**

**6.1 Stand-By Commitments** - If there is a stand-by commitment for a rights offering, the issuer shall deliver to the reviewing authority at the time the rights offering circular in final form or the rights offering prospectus is sent to the reviewing authority evidence that the person or company providing the stand-by commitment has the financial ability to carry out the stand-by commitment.

- (2) Any unexercised rights shall be allocated on a pro rata basis to holders who subscribed for additional securities based on the additional subscription privilege up to the number of securities subscribed for by a particular holder.

**7.4 Price of Securities** - The subscription price under an additional subscription privilege or a stand-by commitment shall be the same as the subscription price under the basic subscription privilege.

**PART 7 ADDITIONAL SUBSCRIPTION PRIVILEGE**

**7.1 Additional Subscription Privilege** - An issuer shall not grant an additional subscription privilege to a holder of a right unless the issuer grants the additional subscription privilege to all holders of rights.

**PART 8 APPOINTMENT OF DEPOSITORY<sup>21</sup>**

**8.1 Depository**

**7.2 Stand-by Commitment** - If there is a stand-by commitment for a rights offering, the issuer shall grant an additional subscription privilege in accordance with section 7.1<sup>19</sup>.

- (1) If an issuer that is a reporting issuer has specified in a rights offering circular or rights offering prospectus that no securities will be issued on the exercise of the rights unless proceeds in an amount not less than the specified minimum amount are received by the issuer under the rights offering, the issuer shall appoint one of the following to hold, as a depository, all money received on the exercise of the rights until that specified minimum amount is received:

**7.3 Number or Amount of Securities**

- (1) Under an additional subscription privilege, each holder of a right shall be entitled to receive, on exercise of the additional subscription privilege, the number or amount of securities that is the lesser of the number or amount of securities
- (a) subscribed for by the holder under the additional subscription privilege; and
  - (b) equal to  $x(y/z)$  where

1. A Canadian financial institution<sup>22</sup>.

<sup>20</sup> This provision amends the formula prescribed in Ontario Securities Commission Policy Statement No. 6.2 Part VI paragraph (4) in order to more efficiently permit the exercise of all unexercised rights. In the amended formula, the denominator of the fraction used in the calculation properly references the number of rights previously exercised by those exercising the additional subscription privilege rather than the aggregate number of rights exercised by all holders of rights under the basic subscription privilege.

<sup>21</sup> This requirement formalizes the practice of Canadian securities regulatory authorities concerning the appointment of a depository.

<sup>22</sup> The term "Canadian financial institution" is defined in National Instrument 14-101 Definitions as a bank, loan corporation, trust company, insurance company, treasury

<sup>19</sup> This provision codifies practice of staff of Canadian securities regulatory authorities that requires an additional subscription privilege even in circumstances in which the stand-by commitment is not provided by a related party.



2. A registrant in the jurisdiction in which the funds are held, who is acting as managing dealer for the rights offering, or if there is no managing dealer, who is acting as a soliciting dealer.

(2) The issuer shall identify the depository appointed under subsection (1) in the rights offering circular or rights offering prospectus.

**8.2 Release of Funds from Depository** - The agreement between the depository and the issuer under which the depository referred to in section 8.1 is appointed shall provide that, if the specified minimum amount referred to in section 8.1 is not received by the depository during the exercise period for the rights, the money held by the depository will be returned in full to the holders of rights that have subscribed for securities under the rights offering.

## PART 9 LISTING REPRESENTATIONS

**9.1 Listing Representations** - A reviewing authority's written permission to a listing representation contained in a rights offering circular or a rights offering prospectus is evidenced by the acceptance of the circular or the issuance of a receipt for the prospectus by the reviewing authority.<sup>23</sup>

## PART 10 EXEMPTION

### 10.1 Connection Test<sup>24</sup>

(1) Parts 2, 3, 5, 6, 7 and 8 do not apply to a rights offering by an issuer if

(a) the number of holders of the class of securities for which the rights are issued whose last address as shown on the books of the issuer is in Canada, and, as certified by

branch, credit union or caisse populaire licensed in Canada or a province or territory and the Confédération des caisses populaires et d'économie Desjardins du Québec.

<sup>23</sup> This procedure has been established so that the reviewing authority's non-objection to the use of the prospectus exemption or, if applicable, confirmation of the reviewing authority's approval of the rights offering circular or receipt of a rights offering prospectus, constitutes the written permission of the regulator for the offering circular or prospectus to contain representations about the listing of securities in accordance with securities legislation.

<sup>24</sup> The purpose of the exemption from this National Instrument is to permit a rights offering to be made to residents of a local jurisdiction without the need to comply with the provisions of the proposed Instrument if there is little connection of the issuer to the jurisdiction.

the issuer under subsection (2), the number of beneficial holders of the class resident in Canada, constitutes, in the aggregate, less than 10 percent of all holders of that class;

(b) the number of securities of the issuer of the class of securities for which the rights are issued held by securityholders whose last address as shown on the books of the issuer is in Canada, and, as certified by the issuer under subsection (2), held beneficially by holders resident in Canada, constitutes, in the aggregate, less than 10 percent of the outstanding securities of that class;

(c) the number of holders of the class for which the rights are issued whose last address as shown on the books of the issuer is in the local jurisdiction, and, as certified by the issuer under subsection (2), the number of beneficial holders of the class resident in the local jurisdiction constitutes, in the aggregate, less than five percent of all holders of that class;

(d) the number of securities of the issuer of the class for which the rights are issued held by securityholders whose last address as shown on the books of the issuer is in the local jurisdiction, and, as certified by the issuer under subsection (2), held beneficially by holders resident in the local jurisdiction constitutes, in the aggregate, less than five percent of the outstanding securities of that class<sup>25</sup>; and

(e) all materials sent to any other securityholders for the rights offering are concurrently sent to the reviewing authority and to each securityholder of the issuer resident in the jurisdiction.

<sup>25</sup> Historically, residents in some jurisdictions have been excluded from some rights offerings by the issuers not located in that jurisdiction for reasons relating to the cost of compliance and timing concerns. Typically, Canadian securities regulatory authorities have exempted an issuer on the basis that the connection of the issuer to the jurisdiction is minor. For example see the exemption in Ontario Securities Commission Policy Statement No. 6.2 Part III paragraph (5).

- (2) An issuer relying on the exemption in subsection (1) shall send to the reviewing authority a written notice that it is relying on the exemption and a certificate of an officer or director of the issuer, or if the issuer is a limited partnership, an officer or director of the general partner of the issuer, or if the issuer is a trust, a trustee or officer or director of a trustee of the issuer, that to the knowledge of the person signing the certificate, after reasonable inquiry that
- (a) the number of beneficial holders of the class for which the rights are issued resident in Canada does not constitute 10 percent or more of all holders of that class;
  - (b) the number of securities of the issuer of the class for which the rights are issued beneficially held by securityholders resident in Canada does not constitute, in the aggregate, 10 percent or more of the outstanding securities of that class;
  - (c) the number of beneficial holders of the class for which the rights are issued resident in the local jurisdiction does not constitute five percent or more of all holders of that class; and
  - (d) the number of securities of the issuer of the class for which the rights are issued beneficially held by securityholders resident in the local jurisdiction does not constitute, in the aggregate, five percent or more of the outstanding securities of that class.
- (a) the person or company that sought the exemption delivered to the regulator on or before the date the preliminary rights offering prospectus or rights offering circular in draft form was sent to the reviewing authority, a letter or memorandum describing the matters relating to the exemption application, and indicating why consideration should be given to the granting of the exemption; and
- (b) the regulator has not sent written notice to the contrary to the person or company that sought the exemption before or concurrently with the issuance of the receipt for the prospectus or acceptance of the circular by the reviewing authority.

## 10.2 Exemption

- (1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

## 10.3 Form of Approval of Reviewing Authority -

Without limiting the manner in which an exemption under section 10.2 may be evidenced, the issuance by the reviewing authority of a receipt for the rights offering prospectus or acceptance of the rights offering circular is evidence of the granting of the exemption if

**NATIONAL INSTRUMENT 45-101  
FORM 45-101F  
INFORMATION REQUIRED IN A RIGHTS OFFERING  
CIRCULAR**

This is the form required by section 3.1 of National Instrument 45-101 Rights Offerings.

**Item 1 - Name of Issuer**

- 1.1 Name of Issuer** - State the full legal name of the issuer and the addresses of its head or registered office and principal office.

**Item 2 - Summary of Offering**

- 2.1 Summary of Offering** - On the first page of the circular, set out in summary form
- (i) the record date;
  - (ii) the time and date of expiry of the offer;
  - (iii) the subscription price;
  - (iv) the basic subscription privilege;
  - (v) the maximum number of securities issuable and the proceeds to be received by the issuer, assuming the exercise of all rights issued under the rights offering;
  - (vi) the estimated expenses of the rights offering;
  - (vii) any stand-by commitment;
  - (viii) the basis on which any additional subscription privilege may be exercised; and
  - (ix) the minimum amount of proceeds, if any, upon which the rights offering is conditioned.

**INSTRUCTIONS<sup>1</sup>:**

1. *If the rights will be listed on a stock exchange, include the following statement on the face page:*  
  
"The Rights are listed on the [name of exchange]".
2. *If the securities issuable on the exercise of the rights will be listed on a stock exchange, include the following statement on the face page:*

<sup>1</sup> National Instrument 45-101 provides that acceptance of a rights offering circular or receipt of a prospectus in which a listing representation is made is evidence of the regulator's written permission under securities legislation to the making of the representation.

"The [name of exchange] has approved the listing of the [name of securities] issuable on the exercise of the Rights".

**Item 3 - Brief Description of the Business of the Issuer**

- 3.1 Brief Description of the Business of the Issuer** - Briefly describe the business carried on and intended to be carried on by the issuer and its subsidiaries.

**Item 4 - Details of the Rights and Securities Offered**

- 4.1 Details of the Rights and Securities Offered** - Describe the material attributes of the rights issued under the rights offering and the securities to be issued on the exercise of the rights.

**Item 5 - Registration and Delivery of Certificates Evidencing Securities**

- 5.1 Registration and Delivery of Certificates Evidencing Securities** - Describe the details of the registration and delivery of security certificates or other evidence of securities to holders of rights who exercise the rights.

**Item 6 - Subscription Agent and Transfer Agent**

**6.1 Subscription Agent and Transfer Agent**

- (1) Identify the person or company appointed as subscription agent to receive subscriptions and payments from holders of a rights certificate and to perform the services relating to the exercise and transfer of the rights and provide details of such arrangements.
- (2) Identify the person or company appointed as registrar and transfer agent for the securities to be issued on exercise of the rights.

**Item 7 - How to Exercise the Rights**

- 7.1 How to Exercise the Rights** - Set out in detail how a holder may exercise the basic subscription privilege, exercise any additional subscription privilege, sell or transfer rights or divide or combine the rights evidenced by the certificate.

**INSTRUCTIONS:**

1. *Describe the number of rights and the subscription price.*
2. *Describe the basis on which a holder of a rights certificate may exercise any additional subscription privilege.*

3. State if a holder of rights is to forward payment for additional securities issuable under any additional subscription privilege with the duly completed rights certificate or wait until notified by the issuer of the number of additional securities allotted to such holder.
4. Describe the basis on which the holder of a rights certificate may sell or transfer the rights or the prohibitions to the transfer.
5. Describe the basis on which the holder of a rights certificate may divide or combine the certificate with other rights certificates.

**Item 8 - Stand-By Commitment**

- 8.1 **Stand-By Commitment** - Identify the person or company providing the stand-by commitment, if any. Describe the stand-by commitment, if any, and the material terms of the basis on which the person or company providing the stand-by commitment may terminate the obligation under the stand-by commitment.

**Item 9 - Escrow of Proceeds and Depository**

- 9.1 **Escrow of Proceeds and Depository** - Identify the depository, if any, and any provisions for the deposit of the proceeds of the rights offering with the depository.

**Item 10 - Managing Dealer and Soliciting Dealer(s)**

- 10.1 **Managing Dealer and Soliciting Dealer(s)** - Identify the managing dealer, if any, and the soliciting dealers, if known, and describe the fees payable to them.

**INSTRUCTIONS:**

1. Issuers are directed to Multilateral Instrument 33-105 *Underwriting Conflicts* for disclosure requirements for connected and related issuers.

**Item 11 - Ownership of Securities of Issuer**

- 11.1 **Ownership of Securities of Issuer** - State, if known, the intentions of the persons or companies that are, to the knowledge of the issuer after reasonable inquiry insiders of the issuer, for the exercise of rights issued under the rights offering.
- 11.2 **Changes of Ownership** - State the particulars of any issuances<sup>2</sup> or, if known to any director or

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<sup>2</sup> Under item (6) of Uniform Act Policy Statement No. 2-05, transfers affecting control since the last shareholders meeting were expected to be disclosed. The disclosure under the Instrument expands the requirement to disclose any issuances affecting control. Such disclosure is required for the period after the end of the last year for which audited statements have been prepared. This is a

senior officer of the issuer, transfers of securities of the issuer that in either case have materially affected the control of the issuer since the end of the most recent financial year for which audited financial statements have been prepared.

**Item 12 - Use of Proceeds**

- 12.1 **Use of Proceeds** - Describe the use of the proceeds of the rights offering.

**INSTRUCTIONS:**

1. Specify the net estimated proceeds of the rights offering, after deducting expenses of the issue, assuming full exercise of the rights, and the purpose intended for the proceeds.
2. Provide particulars of any minimum amount of proceeds required to complete the rights offering.

**Item 13 - Statement as to Non-Transferability**

- 13.1 **Statement as to Non-Transferability** - If the issuer is not a reporting issuer in jurisdictions where there are restrictions on the resale of securities of non-reporting issuers, the Offering Circular should have a heading "Statement as to Non-Transferability" under which the following statements or a variation that contains substantially the same information as may be permitted by the reviewing authority should be set out:

1. The rights issued under this rights offering to securityholders whose last address as shown on the books of the issuer is in the [jurisdictions in which issuer is not a reporting issuer] are not transferable in [jurisdictions].
2. The securities issued to residents of [jurisdiction] upon exercise of the rights may not be sold or otherwise disposed of for value in [jurisdiction], except under either a prospectus or a prospectus exemption (available only in specific and limited circumstances), unless or until the issuer has been a reporting issuer in [jurisdiction] for at least [insert number] months and disclosure to the securities regulatory authority of the original purchase has been made.

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more practical cut-off date than the date of the last meeting of shareholders, as was previously required.

3. The issuer is not a reporting issuer in [jurisdiction]."<sup>3</sup>

**Item 14 - Statutory Rights**

**14.1 Statutory Rights**

- (1) If the issuer has not been incorporated or organized under the laws of Canada or a jurisdiction and is required to deliver to each securityholder entitled to receive rights under the rights offering, a prospectus in accordance with subparagraph 3.3(a)(ii) of the Instrument, include the following statement under the heading "Statutory Rights":

"The statutory rights described in the Prospectus enclosed may not be available to residents of [jurisdiction]. As a result, residents of [jurisdiction] may have to rely on other remedies including common law rights of action for damages or rescission."

- (2) If the issuer has not been incorporated or organized under the laws of Canada or a jurisdiction or if any experts named in the prospectus or any directors or officers reside outside of Canada, then the issuer shall also include the following statement in the offering circular under the heading "Statutory Rights":

"[All/certain of] the directors and officers of the issuer and [all/certain of] the experts named herein reside outside of Canada. Although the issuer has appointed [name and address of agent for service] as its agent for service of process in [applicable jurisdiction] it may not be possible for investors to effect service of process within [applicable jurisdiction] upon the directors, officer and experts referred to above. It may also not be possible to collect from the issuer, [certain of] its directors and officers, and [certain of] the experts named herein judgments obtained in Canadian courts predicated upon the civil liability provisions of Canadian securities legislation."

- (3) In Saskatchewan, the Offering Circular must comply with the requirement to disclose statutory rights of action prescribed under securities legislation.

**Item 15 - Website**

- 15.1 Website** - Disclose the SEDAR website address and that continuous disclosure for the issuer can be obtained on that site.

<sup>3</sup> This provision is based on Ontario Securities Commission Policy Statement No. 6.2 Part III paragraph (2). Reference is also made to Ontario Rule 72-501 Prospectus Exemption for First Trades over a Market Outside Ontario.

**COMPANION POLICY 45-101CP  
TO NATIONAL INSTRUMENT 45-101  
RIGHTS OFFERINGS**

- PART 1 PROSPECTUS EXEMPT OFFERINGS**
- 1.1 Notice Under Rights Offering Prospectus Exemption
  - 1.2 Objection to Use of Prospectus Exemption
  - 1.3 Calculation of Number of Securities
  - 1.4 Timing of Deliveries
  - 1.5 Reports under National Policy Statement 2-A or National Policy Statement 2-B
  - 1.6 Acceptance of Rights Offering Circular
  - 1.7 Availability of Registration Exemption
- PART 2 PROSPECTUS OFFERINGS**
- 2.1 Availability of Registration Exemption
  - 2.2 Public Interest
- PART 3 INSIDER SUBSCRIPTIONS**
- 3.1 Insider Subscriptions
- PART 4 STAND-BY COMMITMENTS**
- 4.1 Stand-by Commitments
- PART 5 OFFERINGS OUTSIDE OF LOCAL JURISDICTION**
- 5.1 Offerings Outside of Local Jurisdiction
- PART 6 RESALE RESTRICTIONS**
- 6.1 Resale Restrictions
- PART 7 EXEMPTIONS**
- 7.1 Exemptions

**COMPANION POLICY 45-101CP  
TO NATIONAL INSTRUMENT 45-101  
RIGHTS OFFERINGS<sup>1</sup>**

- PART 1 PROSPECTUS EXEMPT OFFERINGS**
- 1.1 Notice Under Rights Offering Prospectus Exemption** - The reviewing authority will consider the following as the notice required to be sent under securities legislation in order to rely on the rights offering prospectus exemption:
- 1. A rights offering circular in draft and final form.
  - 2. The information required to be sent under clause 10.1(1)(e) and subsection 10.1(2) of the Instrument in order to rely on the exemption provided in subsection 10.1(1) of the Instrument.
- 1.2 Objection to Use of Prospectus Exemption**
- (1) The reviewing authority may exercise its statutory power to object to a rights offering being made in reliance on the rights offering prospectus exemption if<sup>2</sup>
    - (a) the rights offering is for the purpose of financing the reactivation of a dormant or inactive issuer;
    - (b) the rights offering is for the purpose of financing a material undertaking that would constitute a material departure from the business or operations of the issuer as at the date of its last annual financial statements that have been filed under securities legislation<sup>3</sup>;
    - (c) excessive consideration is payable to the managing dealer, to any soliciting dealer or for a stand-by commitment; or

<sup>1</sup> This proposed Companion Policy is expected to be adopted as a policy in all jurisdictions represented by the CSA.

<sup>2</sup> Item (b) of this list is restated from Ontario Securities Commission Policy Statement No. 6.2, Part III paragraph (3).

<sup>3</sup> The experience of staff at the Ontario Securities Commission has been that the term "major new undertaking" in Ontario Securities Commission Policy Statement No. 6.2 created considerable confusion and accordingly an effort has been made to define the concept more particularly. This concept is intended to capture both qualitative and quantitative matters.

- (d) the reviewing authority believes that, in the circumstances, reliance upon the exemption is not otherwise appropriate.
- (2) Despite clause 1.2(1)(a), the regulator in British Columbia will generally not object to the use of the rights offering prospectus exemption solely on the basis that the proceeds of the rights offering will be used to finance a reactivation. In exercising its discretion, the regulator will consider the following factors:
- (a) the amount of funds to be raised, which is generally expected to be less than:
- (i) \$500,000, if a rights offering complies with the condition in paragraph 1 of section 2.2 of the Instrument ("2.2-1"); and
- (ii) \$250,000, if the increase in the outstanding securities of the class to be issued on exercise of the rights will not exceed 50% of the outstanding securities of that class immediately before the rights offering (in which case the regulator is prepared to consider granting an exemption from the 25% limit in 2.2-1);
- (b) if the rights offering circular, together with other records required to be delivered, contains full, true and plain disclosure of all material facts relating to the reactivation; and
- (c) the extent to which shareholders of the issuer, other than management and insiders, can reasonably participate in the rights offering (generally the regulator will not object if the public shareholders able to participate in the offering constitute more than 50% of all shareholders).
- $x =$  the number of securities of the class of the securities that may be or have been issued upon the exercise of rights under all rights offerings made by the issuer in reliance on the rights offering prospectus exemption during the previous 12 months;
- $y =$  the maximum number of securities that may be issued upon exercise of rights under the proposed rights offering; and
- $z =$  the number of securities of the class of securities that is issuable upon the exercise of rights under the proposed rights offering that are outstanding as of the date of the rights offering circular prepared for the proposed rights offering that is delivered to the securities regulatory authority;
- then  $x + y$  must be equal to or less than  $0.25z$ ; and
- (b) it is inappropriate to exceed the 25 percent threshold in paragraph 1 of section 2.2 of the Instrument if securities convertible into the securities issuable on the exercise of the rights are likely to be converted within a short period of time after the rights offering. Therefore, unless it is reasonably expected that convertible securities will not be converted before 12 months after the date of the rights offering, the potential increase in outstanding securities should be calculated as if the conversion of convertible securities had occurred<sup>4</sup>.

### 1.3 Calculation of Number of Securities

- (1) In calculating the number of outstanding securities for purposes of paragraph 1 of section 2.2 of the Instrument the Canadian securities regulatory authorities are of the view that
- (a) if

<sup>4</sup> This provision is intended to include in the calculation of the 25% threshold those securities which may be issued on conversion within one year, other than securities for which it is reasonably expected that the conversion will not occur within the 12-month period. Accordingly, unless the conversion is unlikely to take place within one year of the date of the rights offering, the Canadian securities regulatory authorities will look through the issuance of the convertible security to the potential issuance of underlying securities.

- (2) The formula suggested in subsection (1) should be adjusted to take into account any concurrent rights offering.
- (3) Since paragraph 1 of section 2.2 of the Instrument prohibits a rights offering under the rights offering prospectus exemption where the result would be an increase in the number or amount of the securities in excess of 25%, the use of the rights offering prospectus exemption is not generally permitted under that paragraph for a rights offering under which the rights are exercisable into a security of a class of securities none of which were outstanding before the date of issuance of the rights.

1.4 **Timing of Deliveries** - Under the Instrument the issuer is required to send a rights offering circular in draft form to ensure the reviewing authorities are satisfied as to the contents. Once the reviewing authorities are they will advise the issuer that they are prepared to accept the rights offering circular in final form.

1.5 **Reports under National Policy Statement 2-A or National Policy Statement 2-B** - The reviewing authorities may object to the use of the rights offering exemption if reports prepared under National Policy Statement 2-A or any successor instrument or National Policy Statement 2-B or any successor instrument do not comply with those policies or successor instruments.

1.6 **Acceptance of Rights Offering Circular** - The delivery of information relating to the securities that is accepted by a reviewing authority will be confirmed in writing to the issuer by the reviewing authority.

1.7 **Availability of Registration Exemption** - The registration rights offering exemption is also ordinarily available if the rights offering prospectus exemption is available.

## PART 2 PROSPECTUS OFFERINGS

2.1 **Availability of Registration Exemption** - If an issuer proposes to effect a rights offering by way of prospectus, the rights offering registration exemption continues to be available to the issuer. The Canadian securities regulatory authorities will not ordinarily object to the use of the rights offering registration exemption in that case.

2.2 **Public Interest** - A regulator may refuse to issue a receipt for a prospectus filed for a rights offering under which rights are issued if the rights are exercisable into convertible securities that require an additional payment by the holder on conversion and the securities underlying the

convertible securities are not qualified under the prospectus. This will ensure that the remedies for misrepresentation in the prospectus are available to the person or company who pays value.

## PART 3 INSIDER SUBSCRIPTIONS

3.1 **Insider Subscriptions** - If no market exists for the securities issuable on the exercise of the rights or if the subscription price is greater than the market price, section 5.1 of the Instrument does not necessarily preclude an insider from exercising rights under a rights offering. Insiders may subscribe for securities issuable on the exercise of rights to maintain their proportionate interest in any class of securities and avoid any dilution. An insider may not, however, exercise its rights to increase its proportionate interest in the issuer. Since the maximum number of securities or amount of securities that an insider may acquire under a rights offering will not be known until it is determined how many rights are exercised by non-insiders, issuers relying on section 5.1 will need to put in place a mechanism to "claw back" securities subscribed for by insiders and to repay subscription proceeds in certain circumstances, such as when the rights held by non-insiders are not fully exercised or have been traded to insiders. The Canadian securities regulatory authorities suggest that an escrow mechanism be used to ensure a successful claw-back, if necessary.

## PART 4 STAND-BY COMMITMENTS<sup>5</sup>

4.1 **Stand-by Commitments** - In assessing if a person or company providing a stand-by commitment has the financial ability to carry out its obligations under the commitment, a reviewing authority will consider any of the following:

1. A statement of net worth attested to by the person or company making the commitment.
2. A bank letter of credit.
3. The most recent annual audited financial statements of the person or company making the commitment.
4. Any other evidence that provides comfort to the reviewing authority.

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<sup>5</sup> This requirement is based upon a requirement of the British Columbia rights offering regime. It is intended to provide a protocol for the assessment of financial capacity.



**PART 5 OFFERINGS OUTSIDE OF LOCAL JURISDICTION**

**5.1 Offerings Outside of Local Jurisdiction**

(1) A Canadian securities regulatory authority may consider taking appropriate action, such as the denial of exemptions, issuance of a cease trade order or other sanctions, against an issuer and its directors and officers if securityholders resident in its jurisdiction are excluded from a rights offering that is made by an issuer that is

- (a) a reporting issuer; or
- (b) not a reporting issuer but has securityholders resident in its jurisdiction either
  - (i) representing five percent or more of the holders of the securities of the class that are to be issued on the exercise of rights under the rights offering; or
  - (ii) holding five percent or more of the securities of the class that are to be issued on the exercise of rights under the rights offering.

(2) The Canadian securities regulatory authorities recognize the difficulty of determining beneficial ownership given the book-based system of holding securities. The Canadian securities regulatory authorities are of the view that the issuer should use reasonable efforts to determine the jurisdictions in which its securityholders are resident. Such efforts could include requesting a securityholders' list and participants' list from the issuer's transfer agent and requesting the transfer agent to request that each participant provide information on the aggregate number of securityholders for which the participant holds securities in each jurisdiction and the percentage of securities of the class held by the securityholders in each jurisdiction.

**PART 6 RESALE RESTRICTIONS**

**6.1 Resale Restrictions** - Issuers should refer to Canadian securities legislation to determine resale restrictions and exemptions from these restrictions.

**PART 7 EXEMPTIONS**

**7.1 Exemptions** - The Canadian securities regulatory authorities will consider exemptions from paragraph 2 of section 2.2 of the Instrument in certain circumstances if the securities issuable on the rights are convertible or exchangeable into a class of securities that are currently outstanding.

## Chapter 7

# Insider Reporting

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This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see [www.carswell.com](http://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](http://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

<u>Trans. Date</u>	<u>Security</u>	<u>Price (\$)</u>	<u>Amount</u>
05Jul00	Atlantic Systems Group Inc. - Special Warrants	750,000	500,000
24Jul00	Aurogin Resources Ltd. - Special Warrants	150,000	500,000
08Jun00 & 22Jun00	Bakbone Software Inc. (Net Resources) - Special Warrants (Series A)	360,000	20,000
31May00	Bryker Technology Partners, L.P. - Amended - Class A Limited Partnership Interests	331,125	2,207,500
Jun00	Connor Clark Private Trust	22,887,416	
Jun00	Connor Clark Private Trust	1,744,305	
21Jul00	Dynasty Components Inc. - Common Shares	Acquisition of assets with a value in excess of \$150,000	220,000
17Jul00	East West Resource Corporation - Common Shares	2,900	10,000
14Jul00	Electronics Manufacturing Group Inc. - Special Warrants	3,950,000	790,000
10Apr00	ePhone Telecom, Inc. - Special Warrants	3,081,019	1,901,864
14Jul00	Equity International Investment Trust - Units	1,886	265
14Jul00	FaxMate Inc. - Units	25,000	250,000
28Jul00	Girby Road (Mobile) Associates Limited Partnership - Limited Partnership Units	3,322	5.0%
26Jun00	Glamis Gold Ltd. - Common Share Purchase Warrants	US\$122,490	300,000
01Jul00	Hillery & Associates, L.P. - Amended - Units	900,000	907
18Jul00	Household Finance Corporation - 8% Notes due July 15, 2010	\$41,384,000	\$41,384,000

**Notice of Exempt Financings**

<u>Trans. Date</u>	<u>Security</u>	<u>Price (\$)</u>	<u>Amount</u>
07Apr00	ICI Acquisition Corp. - 15% Senior Subordinated Notes due 2007	\$13,500,000 & \$1,500,000 Resp.	\$13,500,000 & \$1,500,000 Resp.
21Jul00	Inverpower Controls Ltd. - Demand Promissory Note	\$82,000	\$82,000
30Jun00	MAPLE KEY Market Neutral LP - Limited Partnership Units	5,620,000	112
12May00	Marl Resources Corp. - Common Shares	292,000	1,460,000
12May00	Marl Resources Corp. - Common Shares	2,657,592	13,602,955
08Jun00	Megawheels.com Inc. - Secured Convertible Note	\$600,000	\$600,000
08Jun00	Megawheels.com Inc. - Special Warrants	600,000	800,000
05Jun00	Mellon Capital Management Canadian Tactical Asset Allocation Fund - Units	105,499	949
14Jul00	Methylgene Inc. - Class A Shares	825,000	289,474
11Jul00	Net Resources - Special Warrants (Series A)	177,500	10,000
14Jul00	Net Resources (Bakbone) - Special Warrants	157,500	10,000
27Jul00	Ozz Utility Management Inc. - Common Shares	1,000,000	2,200,000
12May00	PlayandWin Canada Inc. - Class B Special Shares	1,768,808	1,320,006
03May00 to 17May00	Quebecor World Inc. - Forward Equity Acquisition Transactions relating to Subordinate Voting Shares	Nil	400,000
12Jun00	SiGe Microsystems Inc. - Voting Convertible Class A Preferred Shares	25,951,409	2,229,311
29Jun00	SMC Equity Partners Limited Partnership 2000 - Limited Partnership Units	271,200	2,712
10Mar00 & 22Mar00	Solidum Systems Corp. - Preference Shares, Series II	6,194,956	3,097,478
25Jun00	StreetViews Inc. - Unit	600,000	1
24May00	StreetViews Inc. - Common Shares	150,000	187,500
14Jul00	Telexis Corporation - Common Shares	15,000,000	150,000,000
05Jun00 to 29Jun00	Vanguard Institutional Index Fund & Vanguard Total Stock Market Index Fund - Shares	1,707,427	19,081,535
20Jul00	Variagenics, Inc. - Common Stock	134,070	6,500
13Apr00	Vengold Inc. - Special Warrants & Class A Special Warrants	US\$12,583,177	4,437,500 & 800,000 Resp.

**Resale of Securities - (Form 45-501f2)**

<u>Date of Resale</u>	<u>Date of Orig. Purchase</u>	<u>Seller</u>	<u>Security</u>	<u>Price (\$)</u>	<u>Amount</u>
15Jun00	19Jul96	CIBC Mellon (formerly Canada Trust) in trust for the Gulf Canada Resources Limited Retirement Income Plan For Employees	Gulf Canada Resources Limited - Ordinary Shares	225,000	30,000
05May00		Brawley Cathers Limited	K2 Energy Corp. - Shares	535,000	1,070,000

**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)**

<u>Name of Company</u>	<u>Date the Company Ceased to be a Private Company</u>
Independent Equity Research Corp.	16Jun00

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

<u>Seller</u>	<u>Security</u>	<u>Amount</u>
Ghazouli, Sam	Brandselite International Corporation - Common Shares	250,000
Shesky, Alan L.	Pele Mountain Resources Inc. - Common Shares	429,000
Landmark Global Financial Corporation	Sparton Resources Inc. - Common Shares	2,713,678
Malion, Andrew J.	Spectra Inc. - Common Shares	200,000
Faye, Michael R.	Spectra Inc. - Common Shares	200,000
Mourin, Stanley	Western Troy Capital Resources Inc. - Common Shares	60,000
Mourin, Barbara	Western Troy Capital Resources Inc. - Common Shares	40,000

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Chapter 9  
**Legislation**

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## Chapter 11

# IPOs, New Issues and Secondary Financings

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**Issuer Name:**

Brocker Technology Group Ltd.  
Principal Regulator - Alberta

**Type and Date:**

Preliminary Prospectus dated July 27th, 2000  
Mutual Reliance Review System Receipt dated August 1st, 2000

**Offering Price and Description:**

\$11,250,000 - 4,266,000 Common Shares Issuable upon the exercise of Special Warrants and Finders Warrants, 1,800,000 Half Warrants and 228,400 Agent's Options

**Underwriter(s), Agent(s) or Distributor(s):**

Thomas Kernaghan & Co. Limited

**Promoter(s):**

N/A  
Project #286739

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**Issuer Name:**

Coretec Inc.  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated August 1st, 2000  
Mutual Reliance Review System Receipt dated August 4th, 2000

**Offering Price and Description:**

\$\* - \* Common Shares

**Underwriter(s), Agent(s) or Distributor(s):**

National Bank Financial Inc.  
CIBC World Markets Inc.  
Griffiths McBurney & Partners  
Sprott Securities Inc.

**Promoter(s):**

N/A  
Project #286704

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**Issuer Name:**

Croft Enhanced Income Fund  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Simplified Prospectus dated August 3rd, 2000  
Mutual Reliance Review System Receipt dated August 3rd, 2000

**Offering Price and Description:**

Mutual Fund Securities - Net Asset Value

**Underwriter(s), Agent(s) or Distributor(s):**

Registered Dealer

**Promoter(s):**

N/A  
Project #287304

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**Issuer Name:**

Elliott & Page American Growth Fund  
Elliott & Page U.S. Mid-Cap Fund  
Elliott & Page Global Equity Fund  
Principal Ontario - Ontario

**Type and Date:**

Preliminary Simplified Prospectus dated August 3rd, 2000  
Received August 4th, 2000

**Offering Price and Description:**

Mutual Fund Securities - Net Asset Value

**Underwriter(s), Agent(s) or Distributor(s):**

N/A

**Promoter(s):**

Elliott & Page Limited  
Project #275246

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**Issuer Name:**

Sceptre Balanced Growth Fund  
Sceptre Bond Fund  
Sceptre Canadian Equity Fund  
Sceptre Equity Growth Fund  
Sceptre Global Equity Fund (formerly Sceptre International Fund)  
Sceptre U.S. Equity Fund  
Sceptre Money Market Fund  
Principal Regulator - Ontario

**Type and Date:**

Preliminary Simplified Prospectus dated July 31st, 2000  
Mutual Reliance Review System Receipt dated August 2nd, 2000

**Offering Price and Description:**

Mutual Fund Securities - Net Asset Value

**Underwriter(s), Agent(s) or Distributor(s):**

Sceptre Investment Counsel Limited

**Promoter(s):**

Sceptre Investment Counsel Limited  
Project #286346

**Issuer Name:**

Synergy Canadian Fund Inc. - Synergy Canadian Growth Class Series A and F

Synergy Canadian Fund Inc. - Synergy Canadian Momentum Class Series A and F

Synergy Canadian Fund Inc. - Synergy Canadian Small Cap Class Series A and F

Synergy Canadian Fund Inc. - Synergy Canadian Value Class Series A and F

Synergy Canadian Fund Inc. - Synergy Canadian Style Management Class Series A and F

Synergy Canadian Fund Inc. - Synergy Canadian Income Class Series A and F

Synergy Canadian Fund Inc. - Synergy Canadian Short - Term Income Class Series A and F

Synergy Global Fund Inc. - Synergy European Momentum Class Series A and F

Synergy Global Fund Inc. - Synergy Global Growth Class Series A and F

Synergy Global Fund Inc. - Synergy Global Momentum Class Series A and F

Synergy Global Fund Inc. - Synergy Global Short - Term Income Class Series A and F

Synergy Global Fund Inc. - Synergy Global Style Management Class Series A and F

Synergy Extreme Canadian Equity Fund Series A and F

Synergy European Momentum RSP Fund Series A and F

Synergy Global Growth RSP Fund Series A and F

Synergy Global Momentum RSP Fund Series A and F

Synergy Global Style Management RSP Fund Series A and F

Synergy Tactical Asset Allocation Fund Series A and F

Principal Regulator - Ontario

**Type and Date:**

Preliminary Simplified Prospectus dated August 2nd, 2000

Mutual Reliance Review System Receipt dated August 3rd, 2000

**Offering Price and Description:**

Mutual Fund Securities - Net Asset Value

**Underwriter(s), Agent(s) or Distributor(s):**

N/A

**Promoter(s):**

Synergy Asset Management Inc.

Project #287035

---

**Issuer Name:**

TD Split Inc.

Principal Regulator - Ontario

**Type and Date:**

Preliminary Prospectus dated August 3rd, 2000

Mutual Reliance Review System Receipt dated August 4th, 2000

**Offering Price and Description:**

\$\* per Capital Share and \$\* per Preferred Share

**Underwriter(s), Agent(s) or Distributor(s):**

TD Securities Inc.

Scotia Capital Inc.

**Promoter(s):**

TD Securities Inc.

Project #287548

---

**Issuer Name:**

Total Energy Services Ltd.

Principal Regulator - Alberta

**Type and Date:**

Preliminary Prospectus dated July 31st, 2000

Mutual Reliance Review System Receipt dated August 1st, 2000

**Offering Price and Description:**

Up to \$\* - \* Units

**Underwriter(s), Agent(s) or Distributor(s):**

Dundee Securities Corporation

National Bank Financial Inc.

Peters & Co. Limited

**Promoter(s):**

Project #286560

---

**Issuer Name:**

Triant Technologies Inc.

Principal Regulator - British Columbia

**Type and Date:**

Preliminary Prospectus dated July 31st, 2000

Mutual Reliance Review System Receipt dated August 4th, 2000

**Offering Price and Description:**

9,375,000 Common Shares - Issuable upon the Exercise of Special Warrants

**Underwriter(s), Agent(s) or Distributor(s):**

Sprott Securities Limited

Taurus Capital Markets Ltd.

**Promoter(s):**

N/A

Project #287349

---

**Issuer Name:**

Wickham Canadian Equity Fund

Wickham Canadian Bond Fund

Principal Regulator -

**Type and Date:**

Preliminary Simplified Prospectus dated July 26th, 2000

Received August 2nd, 2000

**Offering Price and Description:**

Mutual Fund Securities - Net Asset Value

**Underwriter(s), Agent(s) or Distributor(s):**

Wickham Investment Counsel Inc.

**Promoter(s):**

Wickham Investment Counsel Inc.

Project #284074

**Issuer Name:**

Global Strategy European Plus RSP Fund (Formerly Global Strategy Diversified Europe Fund)  
Global Strategy Japan Plus RSP Fund (Formerly Global Strategy Diversified Japan Plus Fund)  
Global Strategy World Equity RSP Fund (Formerly Global Strategy Diversified World Equity Fund)  
Global Strategy World Bond RSP Fund (Formerly Global Strategy Diversified World Bond Fund)

Principal Regulator - Ontario

**Type and Date:**

Amended Simplified Prospectus and Annual Information Form dated July 21st, 2000  
Mutual Reliance Review System Receipt dated 21st day of July, 2000

**Offering Price and Description:**

Mutual Fund Units - Net Asset Value

**Underwriter(s), Agent(s) or Distributor(s):**

N/A

**Promoter(s):**

Global Strategy Financial Inc.

Project #216957

---

**Issuer Name:**

Alexandria Global Equity Fund

Principal Regulator - Ontario

**Type and Date:**

Amendment #1 dated July 19th, 2000 to Simplified Prospectus and Annual Information Form dated September 30th, 1999  
Mutual Reliance Review System Receipt dated 9th day of August, 2000

**Offering Price and Description:**

Mutual Fund Units - Net Asset Value

**Underwriter(s), Agent(s) or Distributor(s):**

Guardian Group of Funds Ltd.

**Promoter(s):**

Guardian Group of Funds Ltd.

Project #194760

---

**Issuer Name:**

CHIP Four Term Trust

Principal Regulator - Ontario

**Type and Date:**

Final Prospectus dated July 24th, 2000  
Mutual Reliance Review System Receipt dated 26th day of July, 2000

**Offering Price and Description:**

**Underwriter(s), Agent(s) or Distributor(s):**

Scotia Capital Inc.

National Bank Financial Inc.

TD Securities Inc.

**Promoter(s):**

Canadian Home Income Plan Corporation

Project #277559

---

**Issuer Name:**

Darnley Bay Resources Limited

**Type and Date:**

Final Prospectus dated July 4th, 2000

Received 5th day of July, 2000

**Offering Price and Description:**

**Underwriter(s), Agent(s) or Distributor(s):**

Darnley Bay Resources Ltd.

**Promoter(s):**

N/A

Project #258757

---

**Issuer Name:**

Hip Interactive Corp.

Principal Regulator - Ontario

**Type and Date:**

Final Prospectus dated July 21st, 2000

Mutual Reliance Review System Receipt dated 24th day of July, 2000

**Offering Price and Description:**

**Underwriter(s), Agent(s) or Distributor(s):**

BMO Nesbitt Burns Inc.

Yorkton Securities Inc.

Octagon Capital Corporation

**Promoter(s):**

MC Capital Corporation

Hill & Gertner Capital Corporation

Project #280194

---

**Issuer Name:**

Sustainable Energy Technologies Ltd.

Principal Regulator - Alberta

**Type and Date:**

Final Prospectus dated July 7th, 2000

Received 12th day of July, 2000

**Offering Price and Description:**

**Underwriter(s), Agent(s) or Distributor(s):**

N/A

**Promoter(s):**

N/A

Project #272712

---

**Issuer Name:**

Telepanel Systems Inc.

**Type and Date:**

Final Prospectus dated August 2nd, 2000

Received 3rd day of August, 2000

**Offering Price and Description:**

**Underwriter(s), Agent(s) or Distributor(s):**

Canaccord Capital Corporation

Paradigm Capital Inc.

**Promoter(s):**

N/A

Project #272831

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**Issuer Name:**

Total Telcom Inc.  
Principal Regulator - Alberta

**Type and Date:**

Final Prospectus dated July 7th, 2000  
Received 9th day of July, 2000

**Offering Price and Description:**

**Underwriter(s), Agent(s) or Distributor(s):**

CIBC Mellon Trust Company

**Promoter(s):**

Neil Magrath  
Craig Baker  
Glen Boyd  
Wendel Greentree  
Lawrence R. Cunningham  
Project #269514

---

**Issuer Name:**

Great-West Lifeco Inc.  
Principal Regulator - Manitoba

**Type and Date:**

Final Short Form Prospectus dated August 1st, 2000  
Mutual Reliance Review System Receipt dated 2nd day of August, 2000

**Offering Price and Description:**

\$200,000,000.00 - 6.75% Debentures Due August 10, 201

**Underwriter(s), Agent(s) or Distributor(s):**

BMO Nesbitt Burns Inc.  
CIBC World Markets Inc.  
RBC Dominion Securities Inc.  
Scotia Capital Inc.  
TD Securities Inc.  
National Bank Financial Inc.  
Casgrain & Company Limited

**Promoter(s):**

N/A  
Project #285322

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**Issuer Name:**

Counsel Managed Portfolio (formerly, Counsel Managed Fund)  
Counsel International Managed RSP Portfolio (formerly  
Counsel International Managed RSP Fund)

Counsel Focus Portfolio

Counsel Focus RSP Portfolio

Counsel World Equity Portfolio

Counsel World Equity RSP Portfolio

Counsel Select Sector Portfolio

Counsel Select Sector RSP Portfolio

Counsel Money Market

Principal Regulator - Ontario

**Type and Date:**

Final Simplified Prospectus and Annual Information Form  
dated July 27th, 2000  
Mutual Reliance Review System Receipt dated 4th day of  
August, 2000

**Offering Price and Description:**

Mutual Fund Securities - Net Asset Value

**Underwriter(s), Agent(s) or Distributor(s):**

Counsel Group of Funds Inc.

**Promoter(s):**

Counsel Group of Funds Inc.  
Project #276346

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**Issuer Name:**

NHC Communications Inc.  
Principal Regulator - Quebec

**Type and Date:**

Final Simplified Prospectus and Annual Information Form  
dated June 2nd, 2000

Mutual Reliance Review System Receipt dated 5 day of June,  
2000

**Offering Price and Description:**

Mutual Fund Securities - Net Asset Value

**Underwriter(s), Agent(s) or Distributor(s):**

Yorkton Securities Inc.

**Promoter(s):**

N/A  
Project #271528

---

**Issuer Name:**

Aventura Energy Inc.  
Principal Jurisdiction - Alberta

**Type and Date:**

Preliminary Prospectus dated November 10th, 1999  
Withdrawn 28th day of January, 2000

**Offering Price and Description:**

**Underwriter(s), Agent(s) or Distributor(s):**

N/A

**Promoter(s):**

Brian Larsen  
Richard Grafton  
Project #218550

---

**Issuer Name:**

Genetronics Biomedical Ltd.  
Principal Regulator - British Columbia

**Type and Date:**

Preliminary Short Form Prospectus dated May 29th, 2000  
Withdrawn 21st day of June, 2000

**Offering Price and Description:**

**Underwriter(s), Agent(s) or Distributor(s):**

Canaccord Capital Corporation

**Promoter(s):**

N/A  
Project #272601

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**Issuer Name:**

International Keystone Entertainment Inc.  
Principal Regulator - British Columbia

**Type and Date:**

Preliminary Prospectus dated March 8th, 2000  
Withdrawn on the 12th day of May, 2000

**Offering Price and Description:**

**Underwriter(s), Agent(s) or Distributor(s):**

Research Capital Corporation  
Yorkton Securities Inc.

**Promoter(s):**

N/A  
Project #245078

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## Chapter 12

# Registrations

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### 12.1.1 Securities

Type	Company	Category of Registration	Effective Date
New Registration	ITG Canada Corp. Attention: Ian Andrew Camacho Exchange Tower, 130 King St. W. 10 <sup>th</sup> Floor Toronto, ON M5X 1K9	Broker/Investment Dealer	Aug 2/00
New Registration	SBVM Securities Inc. Attention: Stephen R. Binder 620 Wilson Avenue, Suite 500 Toronto, ON M3K 1Z3	Limited Market Dealer	Aug 4/00
New Registration	De Novo Capital Inc. Attention: John Robert Stephenson 45 Dunfield Ave., Suite 2414 Toronto, ON M4S 2H4	Limited Market Dealer Investment Counsel & Portfolio Manager	Aug 8/00

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## Chapter 13

# SRO Notices and Disciplinary Proceedings

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### 13.1 SRO Notices and Disciplinary Decisions

#### 13.1.1 Richard Schonfeldt

##### NOTICE TO PUBLIC

**Subject: The Toronto Stock Exchange Sets Contested Hearing Date In the Matter of Richard Schonfeldt**

The Toronto Stock Exchange Inc. ("TSE") will convene a Hearing in the matter of Richard Schonfeldt before a Panel of the Hearing Committee of the TSE (the "Panel") on August 17, 2000, at 10:00 a.m., or as soon thereafter as the Hearing can be held, in the Quebec Room, 4<sup>TH</sup> Floor, The Toronto Stock Exchange Inc., The Exchange Tower, 2 First Canadian Place, Toronto, Ontario. The Hearing is open to the public.

The purpose of this Hearing is to determine whether Richard Schonfeldt contravened or failed to comply with section 11.26(1) of the General By-law of the TSE. In particular, the TSE alleges that:

RICHARD SCHONFELDT, on December 31, 1998, while an Approved Person employed with Levesque Securities Inc. a Member of the Exchange (now known as National Bank Financial Inc., a Participating Organization of The Toronto Stock Exchange Inc.), entered one or more purchase orders for the account of a customer near the close of trading on the last trading day of the month when there was reason to believe that the intended purpose of such action was to effect a high closing price or closing quotation in a listed security contrary to section 11.26(1) of the General By-law of The Toronto Stock Exchange.

The decision of the Panel and the terms of any penalties imposed will be published by the TSE in a Notice to Participating Organizations.

##### Reference:

Tom Atkinson  
Director, Investigations and Enforcement Division  
Toronto Stock Exchange Regulation Services  
(416) 947-4310

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**Chapter 25**  
**Other Information**

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